ŠIAULIŲ BANKAS

ŠIAULIŲ BANKAS AB

INDEPENDENT AUDITOR’S REPORT

FINANCIAL STATEMENTS

31 DECEMBER 2014

CONTENTS

Independent Auditor's Report

To the shareholders of Šiaulių Bankas AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of Šiaulių Bankas AB ("the Bank") and its subsidiaries ("the Group") set out on pages 5 to 117, which comprise the stand-alone and consolidated statements of financial position as of 31 December 2014 and the stand-alone and consolidated income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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Report on other legal and regulatory requirements

Furthermore, we have read the consolidated annual report for the year ended 31 December 2014 set out on pages 118-169 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2014.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vytenis Lazauskas
Auditor's Certificate No.000536

Vilnius, Republic of Lithuania
6 March 2015

THE GROUP'S AND THE BANK'S INCOME STATEMENTS

		Year ended			
		31 December 2014		31 December 2013	
	Notes	Group	Bank	Group (restated)	Bank
Continuing operations					
Interest and similar income	1	222,862	194,899	204,090	177,665
Interest expense and similar charges	1	(80,879)	(80,920)	(94,567)	(94,626)
Net interest income		**141,983**	**113,979**	**109,523**	**83,039**
Fee and commission income	2	32,544	32,402	26,895	26,817
Fee and commission expense	2	(14,689)	(12,551)	(12,384)	(10,257)
Net fee and commission income		**17,855**	**19,851**	**14,511**	**16,560**
Net gain from operations with securities	3	11,475	9,334	8,862	6,684
Net foreign exchange gain		12,628	10,920	6,792	7,213
Net (loss) from embedded derivatives	12	(9,772)	(10,078)	(5,014)	(4,482)
Net gain from changes in fair value of subordinated loan		1,141	1,141	536	536
Net gain from derecognition of financial assets	5	25,744	25,744	12,172	12,172
Net gain from disposal of tangible assets	5	2,957	1,182	303	41
Revenue related to other activities of Group companies	6	43,121	-	46,962	-
Other operating income	6	7,896	3,532	5,776	2,410
Salaries and related expenses		(51,303)	(39,326)	(47,033)	(37,537)
Depreciation and amortization expenses		(5,419)	(3,926)	(5,351)	(4,064)
Expenses related to other activities of Group companies	4	(40,436)	-	(40,153)	-
Other operating expenses	4	(31,845)	(24,779)	(31,831)	(23,814)
Operating profit before impairment losses		**126,025**	**107,574**	**76,055**	**58,758**
Allowance for impairment losses on loans and other assets	7	(71,694)	(59,186)	(48,782)	(44,976)
Allowance for impairment losses on investments in subsidiaries	7	-	(25,553)	-	(3,582)
Dividends from investments in subsidiaries and associates	29	-	21,053	-	2,400
Profit from continuing operations before income tax		**54,331**	**43,888**	**27,273**	**12,600**
Income tax (expense)	8	(6,941)	(6,265)	(3,812)	(1,873)
Profit from continuing operations		**47,390**	**37,623**	**23,461**	**10,727**
(Loss) from discontinued operations, net of tax	20	(6,735)	(1,010)	(4,944)	-
Net profit for the year		**40,655**	**36,613**	**18,517**	**10,727**
Net profit attributable to:					
Owners of the Bank		40,655	36,613	18,424	10,727
From continuing operations		47,390	37,623	23,368	10,727
From discontinued operations		(6,735)	(1,010)	(4,944)	-
Non-controlling interest (from continuing operations)		-	-	93	-
Basic earnings per share (in LTL per share) attributable to owners of the Bank	9	0.15		0.07	
From continuing operations		0.18		0.09	
From discontinued operations		(0.03)		(0.02)	
Diluted earnings per share (in LTL per share) attributable to owners of the Bank	9	0.13		0.07	
From continuing operations		0.15		0.08	
From discontinued operations		(0.02)		(0.01)	

The accounting policies and notes on pages 11 to 117 constitute an integral part of these financial statements.

THE GROUP'S AND THE BANK'S STATEMENTS OF COMPREHENSIVE INCOME

		Year ended			
		31 December 2014		31 December 2013	
	Notes	Group	Bank	Group (restated)	Bank
Net profit for the year		**40,655**	**36,613**	**18,517**	**10,727**
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Gain (loss) from revaluation of financial assets	15	8,834	8,834	(5,422)	(5,422)
(Loss) from sale of financial assets	15	(4,029)	(4,029)	(2,626)	(2,626)
Amortisation of revaluation related to portfolio reclassified to held-to-maturity category	15	(359)	(359)	(179)	(179)
Deferred income tax on gain (loss) from revaluation of financial assets	8	(676)	(676)	1,043	1,043
Other comprehensive income (loss), net of deferred tax		3,770	3,770	(7,184)	(7,184)
Total comprehensive income for the year		**44,425**	**40,383**	**11,333**	**3,543**
Total comprehensive income (loss) attributable to:					
Owners of the Bank		44,425	40,383	11,240	3,543
From continuing operations		51,160	41,393	16,184	3,543
From discontinued operations		(6,735)	(1,010)	(4,944)	-
Non-controlling interest (from continuing operations)		-	-	93	-
		44,425	40,383	11,333	3,543

The accounting policies and notes on pages 11 to 117 constitute an integral part of these financial statements.

THE GROUP'S AND THE BANK'S STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2014 Group	31 December 2014 Bank	31 December 2013 Group (restated)	31 December 2013 Bank (restated)
ASSETS					
Cash and cash equivalents	10	681,707	678,410	490,435	480,999
Securities at fair value through profit or loss	12	179,885	193,590	145,097	193,648
Due from other banks	11	19,561	18,178	8,528	5,995
Derivative financial instruments	12	24,505	22,960	22,347	21,008
Loans to customers	13	2,486,676	2,730,323	2,513,584	2,723,662
Finance lease receivables	14	185,313	10,592	218,109	20,779
Investment securities:					
- available-for-sale	15	76,368	75,422	188,203	186,432
- held-to-maturity	15	1,567,971	1,546,017	1,309,375	1,300,833
Investments in subsidiaries and associates	16	-	102,501	-	111,162
Intangible assets	17	11,482	1,423	10,709	887
Property, plant and equipment	18	38,751	34,815	46,210	35,914
Investment property	26	69,628	11,404	90,207	47,565
Current income tax prepayment		288	-	33	-
Deferred income tax asset	8	2,146	-	6,220	4,723
Inventories	19	122,718	-	111,629	-
Other financial assets	19	2,304	465	10,465	423
Other non-financial assets	19	63,643	37,908	30,352	21,102
Assets classified as held for sale	20	129,676	95,366	132,431	95,696
Total assets		**5,662,622**	**5,559,374**	**5,333,934**	**5,250,828**
LIABILITIES					
Due to other banks and financial institutions	21	192,800	214,001	264,234	301,206
Due to customers	22	4,886,793	4,888,184	4,529,237	4,530,021
Special and lending funds	23	8,629	8,629	7,354	7,354
Subordinated loan	30	66,623	66,623	68,855	68,855
Current income tax liabilities		3,173	1,846	1,704	-
Deferred income tax liabilities	8	4,697	372	5,465	-
Liabilities related to insurance activities	24	68,866	-	59,881	-
Other financial liabilities	25	6,295	-	10,657	-
Other non-financial liabilities	25	43,175	18,111	40,910	22,167
Liabilities related to assets classified as held for sale	20	13,459	-	21,450	-
Total liabilities		**5,294,510**	**5,197,766**	**5,009,747**	**4,929,603**
EQUITY					
Share capital	27	270,000	270,000	250,000	250,000
Share premium	27	12,719	12,719	32,719	32,719
Reserve capital	27	2,611	2,611	2,611	2,611
Statutory reserve	27	5,005	4,403	3,243	2,641
Financial assets revaluation reserve		1,780	1,780	(1,990)	(1,990)
Retained earnings		75,997	70,095	37,104	35,244
		368,112	361,608	323,687	321,225
Non-controlling interest		-	-	500	-
Total equity		**368,112**	**361,608**	**324,187**	**321,225**
Total liabilities and equity		**5,662,622**	**5,559,374**	**5,333,934**	**5,250,828**

These financial statements were approved by the Bank's Board and signed on behalf of the Board on 6 March 2015 by:

Vytautas Sinius
Chief Executive Officer

Vita Adomaitytė
Chief accountant

The accounting policies and notes on pages 11 to 117 constitute an integral part of these financial statements.

THE GROUP'S STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to the owners of the Bank								Non-controlling interest	Total equity
		Share capital	Share premium	Reserve capital	Financial assets reva-luation	Statutory reserve	Other reserves	Retained earnings	Total		
31 December 2012		**234,858**	**47,861**	**2,611**	**5,194**	**1,891**	**-**	**21,206**	**313,621**	**835**	**314,456**
Transfer to statutory reserve		-	-	-	-	1,352	-	(1,352)	-	-	-
Acquisition of subsidiary		-	-	-	-	-	-	-	-	(428)	(428)
Payment of dividends	29	-	-	-	-	-	-	(1,174)	(1,174)	-	(1,174)
Increase in share capital	27	15,142	(15,142)	-	-	-	-	-	-	-	-
Total comprehensive income (loss):		-	-	-	(7,184)	-	-	18,424	11,240	93	11,333
Net profit		-	-	-	-	-	-	*18,424*	*18,424*	*93*	*18,517*
Other comprehensive (loss)		-	-	-	*(7,184)*	-	-	-	*(7,184)*	-	*(7,184)*
31 December 2013		**250,000**	**32,719**	**2,611**	**(1,990)**	**3,243**	**-**	**37,104**	**323,687**	**500**	**324,187**
Transfer to statutory reserve		-	-	-	-	1,762	-	(1,762)	-	-	-
Increase in share capital	27	20,000	(20,000)	-	-	-	-	-	-	-	-
Acquisition of subsidiary		-	-	-	-	-	-	-	-	(500)	(500)
Total comprehensive income:		-	-	-	3,770	-	-	40,655	44,425	-	44,425
Net profit		-	-	-	-	-	-	*40,655*	*40,655*	-	*40,655*
Other comprehensive income		-	-	-	*3,770*	-	-	-	*3,770*	-	*3,770*
31 December 2014		**270,000**	**12,719**	**2,611**	**1,780**	**5,005**	**-**	**75,997**	**368,112**	**-**	**368,112**

The accounting policies and notes on pages 11 to 117 constitute an integral part of these financial statements.

THE BANK'S STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial assets revaluation	Statutory reserve	Other reserves	Retained earnings	Total
31 December 2012		**234,858**	**47,861**	**2,611**	**5,194**	**1,289**	**-**	**27,043**	**318,856**
Transfer to statutory reserve		-	-	-	-	1,352	-	(1,352)	-
Increase in share capital	27	15,142	(15,142)	-	-	-	-	-	-
Payment of dividends	29	-	-	-	-	-	-	(1,174)	(1,174)
Total comprehensive income (loss):		-	-	-	(7,184)	-	-	10,727	3,543
Net profit		-	-	-	-	-	-	*10,727*	*10,727*
Other comprehensive (loss)		-	-	-	*(7,184)*	-	-	-	*(7,184)*
31 December 2013		**250,000**	**32,719**	**2,611**	**(1,990)**	**2,641**	**-**	**35,244**	**321,225**
Increase in share capital	27	20,000	(20,000)	-	-	-	-	-	-
Transfer to statutory reserve		-	-	-	-	1,762	-	(1,762)	-
Total comprehensive income:		-	-	-	3,770	-	-	36,613	40,383
Net profit		-	-	-	-	-	-	*36,613*	*36,613*
Other comprehensive income		-	-	-	*3,770*	-	-	-	*3,770*
31 December 2014		**270,000**	**12,719**	**2,611**	**1,780**	**4,403**	**-**	**70,095**	**361,608**

The accounting policies and notes on pages 11 to 117 constitute an integral part of these financial statements.

THE GROUP'S AND THE BANK'S STATEMENTS OF CASH FLOWS

		Year ended			
		31 December 2014		31 December 2013	
	Notes	Group	Bank	Group (restated)	Bank
Operating activities					
Interest received		172,999	140,926	147,648	119,628
Interest paid		(80,879)	(80,920)	(94,562)	(94,626)
Fees and commissions received		32,544	32,402	26,166	26,817
Fees and commissions paid		(14,689)	(12,551)	(11,655)	(10,257)
Cash inflows from trade in securities at fair value through profit or loss		8,777	6,396	11,628	9,450
Net inflows from foreign exchange operations		14,183	12,475	6,522	6,943
Recoveries on loans previously written off		3,691	128	2,330	159
Salaries and related payments to and on behalf of employees		(50,688)	(38,512)	(43,156)	(36,974)
Other cash receipts, sale of tangible assets		79,718	30,458	59,804	11,338
Other cash payments		(75,023)	(28,467)	(73,312)	(24,718)
Income tax (paid)		(3,448)	-	(905)	-
Net cash flow from operating activities before change in operating assets and liabilities		**87,185**	**62,335**	**30,508**	**7,760**
Change in operating assets and liabilities:					
Decrease (increase) in securities at fair value through profit or loss		(29,980)	12,263	218,464	169,913
(Increase) in loans to credit and financial institutions		(11,033)	(12,183)	(4,391)	(1,858)
Increase in loans to customers		(20,319)	(69,839)	(217,552)	(84,614)
(Increase) in other current assets		(50,968)	(17,354)	(15,424)	(18,966)
(Decrease) in liabilities to credit and financial institutions		(72,525)	(88,296)	(72,645)	(37,971)
Increase (decrease) increase in deposits		357,556	358,163	(364,377)	(363,754)
Increase in special and lending funds		1,275	1,275	60	60
(Decrease) increase in other liabilities		(1,947)	(4,855)	43,415	13,595
Change		**172,059**	**179,174**	**(412,450)**	**(323,595)**
Net cash flow from (used in) operating activities		**259,244**	**241,509**	**(381,942)**	**(315,835)**
Investing activities					
(Acquisition) of property, plant and equipment, investment property and intangible assets		(28,476)	(3,279)	(21,397)	(5,855)
Disposal of property, plant and equipment, investment property and intangible assets		54,258	37,267	7,120	1,821
(Acquisition) of held-to-maturity securities		(573,146)	(562,023)	(176,954)	(168,412)
Proceeds from redemption of held-to-maturity securities		358,059	357,569	253,672	253,672
Dividends received		317	21,304	67	2,467
(Acquisition) of available-for-sale securities		(128,779)	(128,693)	(336,995)	(336,790)
Sale of available-for-sale securities		248,402	248,364	354,792	354,713
Disposal of subsidiaries held for sale		2,300	2,300	-	-
(Acquisition) of subsidiaries	16	(392)	(392)	(353)	(353)
Instalments to cover losses of subsidiary companies	16	-	(16,500)		
Cash from the transaction of transfer of assets, rights, transactions and liabilities of Ūkio Bankas		-	-	595,059	497,827
Net cash flow (used in) from investing activities		**(67,457)**	**(44,083)**	**675,011**	**599,090**
Financing activities					
Payment of dividends	29	(15)	(15)	(1,149)	(1,149)
Payment to minority shareholders		(500)	-	(428)	-
Redemption of debt securities in issue		-	-	(22,912)	(22,912)
Net cash flow (used in) financing activities		**(515)**	**(15)**	**(24,489)**	**(24,061)**
Net increase in cash and cash equivalents		**191,272**	**197,411**	**268,580**	**259,194**
Cash and cash equivalents at 1 January		**490,435**	**480,999**	**221,855**	**221,805**
Cash and cash equivalents at 31 December	**10**	**681,707**	**678,410**	**490,435**	**480,999**

The accounting policies and notes on pages 11 to 117 constitute an integral part of these financial statements.

GENERAL INFORMATION

Šiaulių Bankas AB was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Banks of the Republic of Lithuania and the Charter of the Bank.

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 14 branches and 60 client service units (2013: 14 branches and 63 client service units). As at 31 December 2014 the Bank had 677 employees (31 December 2013: 680). As at 31 December 2014 the Group (except subsidiaries held for sale) had 829 employees (31 December 2013: 895 employees).

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities, as well as performs other activities set forth in the Law on Banks of the Republic of Lithuania and the Charter of the Bank.

The Bank's shares are listed on the Baltic Main List of the NASDAQ Stock Exchange.

The Bank had the following subsidiaries:

- Šiaulių Banko Lizingas UAB (hereinafter – SB Lizingas), finance and operating lease activities,
- Šiaulių Banko Investicijų Valdymas UAB (hereinafter – SB Investicijų Valdymas), investment management activities,
- Šiaulių Banko Turto Fondas UAB (hereinafter – SB Turto Fondas), real estate management activities,
- Minera UAB (hereinafter – Minera), real estate management activities,
- SBTF UAB (hereinafter – SBTF), real estate management activities,
- Pavasaris UAB (hereinafter – Pavasaris), development of residential quarter,
- Ūkio Banko Lizingas UAB (hereinafter – UB Lizingas), consumer financing activities,
- Bonum Publicum GD UAB (hereinafter – Bonum Publicum), life insurance activities.

The Group also had the following subsidiaries:

- Semelitas UAB (hereinafter – Semelitas), real estate management activities,
- Sandworks UAB (hereinafter – Sandworks), real estate management activities.

The Bank had the following subsidiaries held for sale:

- ŽSA 1 UAB (hereinafter – ŽSA 1), real estate management activities,
- ŽSA 2 UAB (hereinafter – ŽSA 2), real estate management activities,
- ŽSA 3 UAB (hereinafter – ŽSA 3), real estate management activities,
- ŽSA 4 UAB (hereinafter – ŽSA 4), real estate management activities,
- ŽSA 5 UAB (hereinafter – ŽSA 5), real estate management activities,
- Trade Project UAB (hereinafter – Trade Project), real estate management activities,
- Sporto Klubų Investicijos UAB (hereinafter – Sporto Klubų Investicijos), real estate management activities,
- Investicinio Turto Valdymas UAB (hereinafter – Investicinio Turto Valdymas), real estate management activities.

The Group also had the following subsidiaries held for sale:

- Kėdainių Oda UAB (hereinafter – Kėdainių Oda), leather processing,
- Žalgirio Sporto Arena UAB (hereinafter – Žalgirio Sporto Arena), real estate management activities,
- Nacionalinis Futbolo Stadionas UAB (hereinafter – Nacionalinis Futbolo Stadionas), in process of liquidation.

Investments in subsidiaries are described in more detail in Note 16 *Investments in subsidiaries.*

Investments in subsidiaries held for sale are described in more detail in Note 20 *Assets classified as held for sale.*

The Bank's shareholders structure is disclosed in Note 27 *Share capital*.

RESTATEMENT OF THE COMPARATIVE FINANCIAL INFORMATION

In the financial statements for the year ended 31 December 2013, Ūkio Banko Lizingas and Bonum Publicum were accounted for as subsidiaries held for sale. In 2014, the Bank changed its plans regarding these entities, and the decision to include Ūkio Banko Lizingas and Bonum Publicum to the consolidated subsidiaries of the Bank was made. Therefore the comparative financial information as of 31 December 2013 was restated to include Ūkio Banko Lizingas and Bonum Publicum to the fully consolidated subsidiaries of the Group.

The Group plans to sell the subsidiary Kėdainių Oda. Therefore it was reclassified from consolidated subsidiaries to subsidiaries held for sale. This reclassification caused restatements in the comparative financial information of the Group for the year ended 31 December 2013, which was restated to include the activity results of Kėdainių Oda UAB in discontinued operations.

The impact of the above discussed restatement of the comparative financial information is as follows:

Statement of financial position as of 31 December 2013 (the Group)	**As previously reported**	**Restatement adjustment**	**As restated**
Assets:			
Cash and cash equivalents	481,002	9,433	490,435
Securities at fair value through profit or loss	70,648	74,449	145,097
Due from other banks	5,995	2,533	8,528
Loans to customers	2,375,700	137,884	2,513,584
Finance lease receivables	205,093	13,016	218,109
Intangible assets	1,178	9,531	10,709
Property, plant and equipment	45,546	664	46,210
Investment property	86,637	3,570	90,207
Current income tax prepayment	10	23	33
Deferred income tax asset	6,183	37	6,220
Other financial assets	7,695	2,770	10,465
Other non-financial assets	28,333	2,019	30,352
Assets classified as held for sale	388,360	(255,929)	132,431
Liabilities:			
Current income tax liabilities	1,028	676	1,704
Deferred income tax liabilities	4,952	513	5,465
Liabilities related to insurance activities	-	59,881	59,881
Other financial liabilities	2,871	7,786	10,657
Other non-financial liabilities	38,596	2,314	40,910
Liabilities related to assets classified as held for sale	92,620	(71,170)	21,450

Statement of financial position as of 31 December 2013 (the Bank)	**As previously reported**	**Restatement adjustment**	**As restated**
Assets:			
Investments in subsidiaries and associates	51,562	59,600	111,162
Assets classified as held for sale	155,296	(59,600)	95,696

RESTATEMENT OF THE COMPARATIVE FINANCIAL INFORMATION (CONTINUED)

Income statement for the year 31 December 2013 (the Group)	**As previously reported**	**Restatement adjustment**	**As restated**
Continuing operations			
Interest and similar income	177,197	26,893	204,090
Interest expense and similar charges	(94,494)	(73)	(94,567)
Net interest income	**82,703**	**26,820**	**109,523**
Fee and commission income	26,374	521	26,895
Fee and commission expense	(11,655)	(729)	(12,384)
Net fee and commission income	**14,719**	**(208)**	**14,511**
Net gain from operations with securities	6,684	2,178	8,862
Net foreign exchange gain	7,212	(420)	6,792
Net loss from embedded derivatives,	(5,014)	-	(5,014)
Net gain from changes in fair value of subordinated loan	536	-	536
Net gain from derecognition of financial assets	12,172	-	12,172
Net gain from disposal of tangible assets	293	10	303
Revenue related to other activities of Group companies	32,097	14,865	46,962
Other operating income	15,798	(10,022)	5,776
Salaries and related expenses	(43,800)	(3,233)	(47,033)
Depreciation and amortization expenses	(5,587)	236	(5,351)
Expenses related to other activities of Group companies	(26,595)	(13,558)	(40,153)
Other expenses	(36,875)	5,044	(31,831)
Operating profit before impairment losses	**54,343**	**21,712**	**76,055**
Allowance for impairment losses on loans and other assets	(50,526)	1,744	(48,782)
Profit from continuing operations before income tax	**3,817**	**23,456**	**27,273**
Income tax expense	(2,517)	(1,295)	(3,812)
Profit from continuing operations	**1,300**	**22,161**	**23,461**
Profit from discontinued operations, net of tax	17,217	(22,161)	(4,944)
Net profit for the year	**18,517**	**-**	**18,517**
Net profit attributable to:			
Owners of the Bank	18,424	-	18,424
From continuing operations	1,207	22,161	23,368
From discontinued operations	17,217	(22,161)	(4,944)
Non-controlling interest (from continuing operations)	93	-	93
Basic earnings per share (in LTL per share) attributable to owners of the Bank	0.07	-	0.07
From continuing operations	0.00	0.09	0.09
From discontinued operations	0.07	(0.09)	(0.02)
Diluted earnings per share (in LTL per share) attributable to owners of the Bank	0.07	-	0.07
From continuing operations	0.00	0.08	0.08
From discontinued operations	0.07	(0.08)	(0.01)

RESTATEMENT OF THE COMPARATIVE FINANCIAL INFORMATION (CONTINUED)

Cash flow statement as of 31 December 2013 (the Group)	**As previously reported**	**Restatement adjustment**	**As restated**
Net cash flow from operating activities before change in operating assets and liabilities	26,512	3,996	30,508
Net change in operating assets and liabilities	(362,729)	(49,721)	(412,450)
Net cash flow used in operating activities	**(336,217)**	**(45,725)**	**(381,942)**
Net cash flow from investing activities	**619,853**	**55,158**	**675,011**
Net cash flow (used in) financing activities	**(24,489)**	**-**	**(24,489)**
Net increase in cash and cash equivalents	**259,147**	**9,433**	**268,580**
Cash and cash equivalents at 1 January	**221,855**	**-**	**221,855**
Cash and cash equivalents at 31 December	**481,002**	**9,433**	**490,435**

TRANSACTION OF TRANSFER OF ASSETS, RIGHTS, TRANSACTIONS AND LIABILITIES OF ŪKIO BANKAS

On 23 February 2013, an agreement (hereinafter – the Agreement) was signed between Ūkio Bankas AB registered in Lithuania (legal entity's code 112020136, hereinafter Ūkio Bankas), Šiaulių Bankas AB (legal entity's code 112025254) and a state-owned enterprise Indėlių ir Investicijų Draudimas (legal entity's code 110069451, hereinafter Deposit Insurance Fund or DIF) on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas, based on which a part of assets, rights, transactions and liabilities of Ūkio Bankas was transferred to Šiaulių Bankas.

Details on this transaction, assets acquired and liabilities assumed were presented in the financial statements for the year ended 31 December 2013.

The agreement provided the possibility for the creditors of Ūkio Bankas to sell five different portfolios of assets: (a) portfolio of real estate transferred into the ownership of Šiaulių Bankas, (b) portfolio of higher risk (potentially lower-quality performance) loan groups, (c) portfolio of subsidiaries of Ūkio Bankas engaged in real estate development activities, (d) portfolio of shares of subsidiaries of Ūkio Bankas engaged in other activities – Ūkio Banko Lizingas UAB and life insurance company Bonum Publicum UAB, (e) portfolio consisting of higher risk loans and foreclosed assets. This right expired in February 2014, none of the portfolios was sold.

Another important clause in the Agreement says that in case the value of the certain assets (specified below) transferred to Šiaulių Bankas increases until the year-end 2014, Šiaulių Bankas will have to refund a part of such increase in the value of the assets to the creditors of Ūkio Bankas. This clause was applicable to lower risk (potentially higher-quality performance) loan groups (class 1, 2); some categories of real estate and shares in the subsidiaries engaged in real estate activities (calculated as a package). Amount payable to Ūkio Bankas under this clause could vary from nil to unlimited amount (based on the actual performance of assets in these categories). As of 31 December 2014, Šiaulių Bankas recognized a liability of nil related to this clause of the Agreement.

ACCOUNTING POLICIES

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

Basis of preparation

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

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

These financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the Bank. Such format of reporting was adopted to ensure consistency of presentation with the format prescribed by the Bank of Lithuania and applied for statutory reporting.

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

Amendments to existing standards and interpretations effective in 2014

IFRS 10, Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014). The standard replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The standard did not have a material impact on the Bank's and the Group's financial statements.

IFRS 11, Joint Arrangements (effective for annual periods beginning on or after 1 January 2014). The standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The standard did not have a material impact on the Bank's and the Group's financial statements.

IFRS 12, Disclosure of Interest in Other Entities (effective for annual periods beginning on or after 1 January 2014). The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities. The standard did not have a material impact on the Bank's and the Group's financial statements.

IAS 27 (revised 2011), Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014). The objective of the revised standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The standard did not have a material impact on the Bank's and the Group's financial statements.

IAS 28 (revised 2011), Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014). The standard was revised following the issue of IFRS 11 and it now includes the requirements for joint ventures, as well as associates, to be equity accounted. The standard did not have a material impact on the Bank's and the Group's financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard did not have a material impact on the Bank's and the Group's financial statements.

Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 1 January 2014, earlier application is required if the underlying standards (IFRSs 10, 11 and 12) are early-adopted). The amendments clarify the transition guidance in IFRS 10, Consolidated Financial Statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interests in Other Entities, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The standard did not have a material impact on the Bank's and the Group's financial statements.

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The standard did not have a material impact on the Bank's and the Group's financial statements.

Recoverable Amount Disclosures for Non-financial Assets - Amendments to IAS 36 (effective for annual periods beginning on or after 1 January 2014). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The standard did not have a material impact on the Bank's and the Group's financial statements.

Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39 (effective for annual periods beginning on or after 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The standard did not have a material impact on the Bank's and the Group's financial statements.

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Bank and the Group

IFRIC 21 – Levies (effective for annual periods beginning on or after 17 June 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2013 (effective for annual periods beginning on or after 1 January 2015). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Group is currently assessing the impact of the amendments on its financial statements.

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (effective for annual periods beginning on or after 1 February 2015). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Group is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 February 2015). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of the amendments on its financial statements.

IFRS 14, Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard, therefore the standard will not have an impact on the Bank's and the Group's financial statements.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the amendments on its financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the amendments on its financial statements.

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The Group does not expect the amendments to have an impact on its financial statements.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing the impact of the amendments on its separate financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The Group is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2014 (effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its financial statements.

Disclosure Initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the amendments on its financial statements.

Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The Group is currently assessing the impact of the amendments on its financial statements.

IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017; not yet adopted by the EU). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the amendments on its financial statements.

IFRS 9, Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its financial statements.

Consolidation of subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the total of consideration transferred, non-controlling interest recognised and eviously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

Subsidiaries in the stand-alone financial statements are accounted for at cost less impairment. Dividend from a subsidiary is recognised in profit or loss in when the Bank's right to receive the dividend is established.

The group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Foreign currency translation

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

(b) Transactions and balances
All monetary assets and liabilities denominated in foreign currencies are translated into the Lithuanian litas (LTL) at the official rate of the Bank of Lithuania prevailing at the end of the reporting period. Gains and losses arising from this translation are included in the statement of comprehensive income for the reporting period. All non-monetary liabilities and assets are translated using the exchange rate prevailing on the date of acquisition.

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

Off-setting financial instruments

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

Recognition of income and expenses

Interest income and expense are recognised in the statement of comprehensive income on all debt instruments on an accrual basis using the effective interest method based on the actual purchase price. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Loan origination fees are accounted for as an adjustment to the effective interest rate calculation for each issued loan separately. Other commission fees and other similar income and expenses are recognised as gained or incurred.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Dividend income

Dividends are recognised in the statement of comprehensive income when the Bank's or Group's right to receive payments is established.

Taxation

a) Income tax

In accordance with the Lithuanian Law on Corporate Profit Tax, taxable profit for 2013 and 2014 period is subject to income tax at a rate of 15%. Expenses related to taxation charges and included in these financial statements are based on calculations made by the management in accordance with the Lithuanian regulatory legislation on taxes.

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

The principal temporary differences arise from taxable losses deferred for future periods, revaluation of securities, difference between net book value and tax base of tangible fixed assets 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.
Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

b) Other taxes

Real estate tax rate is up to 1% on the tax value of tangible fixed assets and foreclosed assets. The Bank is also obliged to pay land and land lease taxes, make payments to guarantee fund and social security contributions. These taxes are included in other expenses in the statement of comprehensive income.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with the Bank of Lithuania, treasury bills and other eligible bills, amounts due from banks and financial institutions and short-term government securities.

Financial assets

Financial assets are classified into 4 categories: financial assets at fair value through profit and loss (the Group and the Bank have two subcategories – held for trading and designated at initial recognition), investments held to maturity, loans and receivables, financial assets available for sale. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Securities at fair value through profit or loss

Trading securities are securities which were acquired either for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Financial assets are designated at fair value through profit or loss when certain investments, that are managed and evaluated on a fair value basis in accordance with a documented risk strategy management and reported to key management on that basis, are designated at fair value through profit or loss. The Group's subsidiary involved in life insurance activities has designated at fair value through profit or loss its investment portfolio which is managed on behalf of customers.

Securities at fair value through profit or loss are initially recognised at fair value, which is based on transaction priceand are subsequently measured at fair value based on quoted bid prices or derived from a discounted cash flow model if market price is unreliable measure. All related realised and unrealised gains and losses are included in net trading income. Interest earned is reported as interest income. Dividends received are included in dividend income. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

All purchases and sales of securities at fair value through profit or loss that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at settlement date, which is the date when payment is made for assets purchased or sold. Otherwise such transactions are treated as derivatives until settlement occurs.

Securities available for sale and held to maturity

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 appropriate classification of its investments at the time of the purchase.

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective yield method, less any provision for impairment. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

If the Group were to sell other than an insignificant amount of held-to–maturity assets, the entire category would be reclassified as available for sale.

Interest earned whilst holding securities is reported as interest income. Dividends receivable related to equity securities classified as trading or available for sale are included separately in dividend income when the Bank's right to receive payments is established

All regular way purchases and sales of securities are recognised at settlement date, which is the date when payment is made for assets purchased or sold**.** All other purchases and sales are recognised as derivative forward transactions until settlement.

Loans

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

Impairment of financial assets

The Group assesses whether objective evidence of impairment exists individually for financial assets that are individually significant as well as for those that are not individually significant. Losses on loan and held-to-maturity investment impairment are established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment losses is the difference between the carrying amount and the recoverable amount, being the present value of future expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

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 other comprehensive income and recognised in the statement of comprehensive income.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Reverse repurchase transactions

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers, as appropriate. The difference between purchase and repurchase price is treated as interest and accrued over the life of agreement using the effective interest method. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

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

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Intangible assets are amortised using the straight-line method over their estimated useful life (see note 17).

Property, plant and equipment

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are charged to the Statement of comprehensive income.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Asset maintenance costs are charged to the statement of comprehensive income when they are incurred. Significant improvements of assets are capitalised and depreciated over the remaining useful life period of the improved asset. Borrowing costs that are directly attributable to the acquisition or construction of assets requiring substantial amount of time to get ready for their usage are capitalized. Useful lives of property, plant and equipment are disclosed in note 18.

Leases

a) Group company is the lessee

Operating leases
Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. The total payments made under operating leases are charged to the Statement of comprehensive income on a straight-line basis over the period of lease.

b) Group company is the lessor

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

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

Inventories

Inventories of the Group consist mainly of apartments held for sale and property for development. They are stated at the lower of cost and net realizable value. Net realizable value for apartments held for sale are calculated as based on market value of apartments less costs to sell. Net realizable value of property for development are calculated as discounted cash inflows to be received from developed property less discounted cash outflows related to the development and selling of a property.

Financial liabilities

The Group's financial liabilities consist of those designated at fair value and those carried at amortised cost. Financial liabilities are derecognised when extinguished.

Financial liabilities at fair value through profit or loss

The group designated certain debt securities upon initial recognition as at fair value through profit or loss (fair value option); this designation cannot be changed subsequently. According to IAS 39, the fair value option is applied, as the debt securities consists of debt host and embedded derivatives that must otherwise be separated. The Group has designated as a financial liability at fair value through profit or loss its subordinated debt with embedded option. This financial liability is presented in the *Subordinated debt* line in the Statement of Financial Position.

Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue, liabilities to special and lending funds as well as other various financial liabilities. Initially they are recognised at fair value, and subsequently stated at amortised cost, with any difference between net proceeds and the redemption value recognised in the Income statement over their period using the effective interest method.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be reliably estimated.

Technical provisions

Technical provisions are computed in accordance with Lithuanian insurance supervisory authority (Bank of Lithuania) requirements and are based on assumptions and estimates, the adequacy of which is evaluated based on observations of historical and current data and the use of projection methods that consider developing trends in experience and that adjust for changes in circumstances.

a) Unearned premiums reserve
Unearned premiums reserve represents the part of premiums written which relates to the period of risk subsequent to the accounting period. Unearned premiums reserve is calculated for every contract separately by proportionate distribution of the written premium throughout the risk period. The part of unearned premiums reserve attributable to the reinsurers is calculated by the same method.

b) Outstanding claims reserve
Outstanding claims reserve represents amounts payable for claims outstanding. Provision covers all anticipatory payments for claims reported but not settled, claims incurred but not reported, claims reported, settled but not paid, including amounts required for claims settlement according to all above mentioned claims as of the financial statement date.

Base for calculation of provision for claims reported but not settled is an individual evaluation of every reported claim, according to the information available at the moment of calculation of this technical provision.

The part of provision for claims incurred, not reported is calculated using “Chain-ladder”, Bornhuetter – Ferguson or Loss-ratio methods for insurance products separately.

The part of outstanding claims reserve attributable to the reinsurers is calculated under reinsurance contracts.

c) Life insurance mathematical provision
Life insurance mathematical provision is calculated individually for every policy applying an actuarial conservative perspective assessment. Life insurance mathematical provision is a difference of the actuarially discounted value of the future policy benefits less the discounted value of the future premium payments.

The method of assessment can be described as prospective net premium method. For the calculations Zillmer adjustment method is applied. Thus deferred acquisition costs reduce life insurance mathematical technical reserve.

When computing the life insurance mathematical provision mortality tables of general population of Lithuania for the years 1993 – 1996, that were modified in year 2007 according the situation of the population of Lithuania are applied. Guaranteed interest rate of 3.5% p.a. is applied for agreements signed in the year 2002, maximum technical interest rate of 1.53% p.a. - for agreements signed from 1 October 2000 to 31 December 2001 and from 1 January 2003 to 30 June 2014, guaranteed interest rate of 1.50% - for agreements signed from 1 July 2014 to 31 December 2014. Maximum technical interest rate as of 31 December 2014 was 1.53% (31 December 2013: 1.88%).

According to the profit (surplus) sharing rules, the contract of the endowment, endowment of survival, pension and scholarship insurance, valid more than three years, participates in the profit (surplus) sharing of the insurer. The insurers profit share calculated for the insurance agreement is not paid at once but increases the claims in case of death or/and survival till the end of insurance period, also the surrender values are increased respectively. The profit (surplus) calculated for insurance product, is ascribed to the mathematical technical provision.

d) Technical provision for unit-linked life insurance policies
Technical provision for unit-linked life insurance policies is calculated using retrospective method. Technical provision is calculated by adding invested premiums less charges applied to the policy holder to cover expenses and the risk assumed. The technical provision is expressed in investment units which are reprised in accordance with changes in market values of related investments.

Insurance contracts

Bank's subsidiary Bonum Publicum (the company) is engaged in life insurance activities and offers various insurance contracts, main categories of which include:

a) Long-term insurance contracts with fixed and guaranteed terms
These contracts insure events associated with human life (for example death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as expenses when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued, also on maximum technical interest rate set by Bank of Lithuania each quarter. A margin for adverse deviation is included in the assumptions.

The liabilities are recalculated at each balance sheet date using the assumptions established at inception of the contract.

b) Long-term insurance contracts without fixed terms – unit-linked
These contracts insure human life events (for example death or survival) over a long duration. The company does not unbundle deposit component separately from insurance component as:

- deposit element is not clearly identifiable from the terms of the contract;
- unbundling would require significant and costly systems changes;
- contracts of this kind are a single product, regulated as insurance business by insurance supervisory authority and should be treated in a similar way for financial reporting;
- the information about gross premium inflows is considered to be important as an aid to economic decisions.

Gross insurance premiums are recognized as revenue when they are received from the policyholder and the respective liability is recognized. These liabilities are increased/decreased by change in the unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

The liability for these contracts includes any amounts necessary to compensate for services to be performed over future periods. This is the case for contracts where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is therefore established for these claims.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the company with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

c) Liability adequacy test
At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).
As mentioned above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margin for adverse deviation) are used for the subsequent measurement of these liabilities.

Any deferred acquisition costs written off as a result of this test cannot subsequently be reinstated.

Dividends

Dividends on the Bank's shares are recorded in equity in the period in which they are declared.

Employee benefits

a) *Social security contributions*

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

b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it can no longer withdraw the offer of those benefits; or when recognises costs for a restructuring that involves the payment of termination benefits. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Termination benefits are included within staff costs in the Statement of comprehensive income and within other liabilities in the balance sheet.

Segment information

Operating segments are reported in accordance with the information analysed by the Executive Board (the chief operating decision-maker) of the Group, which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group has seven main business segments:

- Šiauliai region – includes banking operations (retail and corporate banking) performed in Šiauliai region;
- Vilnius region – includes banking operations (retail and corporate banking) performed in Vilnius region;
- Klaipėda region - includes banking operations (retail and corporate banking) performed in Klaipėda region;
- Headquarters – incorporates treasury and support services (IT, management, administration and other services) provided to other banking operations segments of the Group;
- Leasing activities – includes finance and operating lease services provided to customers of the Group (includes financial information of Šiaulių Banko Lizingas UAB and Ūkio Banko Lizingas UAB);
- Investment management – includes management of investments in equity instruments held by the Group (includes financial information of Šiaulių Banko Investicijų Valdymas UAB);
- Real estate development and other – includes development of real estate projects and other businesses (includes financial information of subsidiaries not mentioned above).

As the Group's segment operations, except for real estate development are all financial with a majority of revenues deriving from interest and the Group Executive Board relies primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis. Also all other main items of the statement of comprehensive income are analysed by the management of the Group on segment basis therefore they are presented in the segment reporting.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Executive Board is measured in a manner consistent with that in the consolidated statement of comprehensive income. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

The Group's management reporting is based on a measure of profit before taxes comprising net interest income, net fee and commission income, loan impairment charges, operating expenses, amortization and depreciation expenses and other net income.

Fiduciary activities

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

Fair value of assets and liabilities

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial guarantee contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the Statement of comprehensive income the fee income earned on a straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the Statement of comprehensive income under other operating expenses.

Share issue costs

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

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the consolidated group, are classified as investment properties. Investment properties comprise buildings for commercial activities and land plots for undetermined future use.

Some properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Group considers the owner-occupied portion as insignificant when the property is more than 95% held to earn rental income or capital appreciation. In order to determine the percentage of the portions, the Group uses the size of the property measured in square meters.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the statement of financial position. Gains or losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income in the year in which they arise. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is determined by comparable market prices, or, if these are unavailable, is calculated by discounting the expected net rentals at a rate that reflects the current market conditions as of the valuation date adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external or internal appraisers.

Derivative financial instruments

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 (for example, for exchange-traded options), including recent market transactions, and valuation techniques (for example for non-traded options), 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 floor in a loan granted, 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 profit or loss.

FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Bank's and the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers and borrows from other financial institutions at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

Strategic decisions related to financing and investing activities of the Bank and the Group is made by the Board of the Bank. Operating financing and investment decisions are made on division level. Divisions of the Group are presented in Segment information. Decisions on risk management are made by the Risk Management Committee of the Bank. Risk Management Policy is approved and monitored by the Board of the Bank.

The Bank and the Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances but the Group also enters into guarantees and other commitments such as letters of credit and other guarantees.

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

The Risk Management Policy approved by the Council of the Bank as well as by the procedures to manage different types of risks prepared on its basis ensures the integrity of the risk management process in the Group.

The purpose of risk management policy is to define the risks as well as their management principles in the Group's activities. Due to the fact that various risks experienced by the Group are interdependent their management is centralized. Organization and coordination of the experienced risk management system is one of the main goals of the Bank's Risk Management Committee.

The Group reviews its risk management procedures and systems to reflect changes in markets, products and emerging best practice on regular basis, at least annually.

The Group performs self assessment each year. This process analyses types of risks that could potentially arise from banking activities and have material impact to the Group. The most important types of risk the Group is exposed to are credit risk, market risk, liquidity risk, concentration risk, operational risk and compliance risk. Market risk includes currency risk, interest rate and securities price risk. Other types of risk are considered immaterial by the Group and, therefore, are not assessed.

In order to avoid a conflict of interest the Bank's subdivisions that implement risk management functions are separated from those subdivisions the direct activities of which are connected with the up rise of various types of banking risks.

FINANCIAL RISK MANAGEMENT (continued)

1. Credit risk

Credit risk is defined as the risk for the Group to incur losses due to the Group's customers' failure to fulfil their financial obligations towards the Group. Credit exposures arise principally in lending activities and it is the most significant risk in the Group's banking activities.

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

The Bank regularly reviews its credit risk management policies which include lending policies, credit risk limit control, other credit risk mitigation measures as well as the internal control and internal audit of credit risk management.

The Bank's Board has approved the credit risk management policies and procedures which lay down the principles for credit risk management, establish an acceptable level of credit risk and credit risk's structure and determine credit risk mitigation measures and their interaction. This ensures a uniform understanding of the principles for taking on exposure to credit risk and allows achieving consistency with the nature and complexity of the Bank's lending policy and the requirements of the Bank of Lithuania.

The Bank takes risks only in the fields, which are well known to it and where it has long-term experience, trying to avoid excessive risk in transactions that can have negative influence to the big portion of shareholders' equity but seeks the sufficient profitability which, in terms of increasing competition, would ensure the stable Bank's position in the market and would increase the Bank's value. In assessing exposure to credit risk, the Bank adheres to the principle of prudence.

The Bank's lending policy is focused on small and medium-size business clients, seeking to provide them with the better funding terms and long-term support, at the same time paying attention to Bank's potential to grow.

Large entities are defined as entities employing more than 250 employees. Small and medium size entities are defined as entities employing less than 250 employees and the total balance sheet total does not exceed LTL 148 million or annual turnover does not exceed LTL 173 million.

New types of activities or products are launched only after the assessment of the arising risk. All lending products and processes at the Bank are regulated and documented pursuant to the requirements of risk assessment and internal control policy. Special procedures are established with respect to each lending product.

The aim of the Bank's credit risk management policy is to ensure that the conflict between interests of staff or structural units is avoided. With respect to provision of credits to clients, the principle stating that profit should not be earned at the expense of excessive credit risk is observed.

The Bank's credit risk management policy is based on the best practice in risk management of other banks. Therefore, the Bank's employees continuously enhance their knowledge of credit risk management systems of Lithuanian and foreign banks and the results of their application.

1.1. Credit risk measurement

(a) Loans and receivables

The Bank applies credit risk management measures, which could relevantly be divided into two types:
1) Measures that help to avoid decisions to grant unsecured loans;
2) Measures ensuring the effective monitoring system of the Bank's asset quality.

Measures that help to avoid decisions to grant unwarrantably risky credits include:
1) Multi-stage decision-making and its approval system;
2) Risk allocation among structural levels – limit establishment;
3) Security measures for credit repayment (collateral).

Multi-stage decision-making and its approval system has an aim not to make one-man decisions regarding credit granting by authorized persons but to make them be discussed by the collegial bodies of the Bank and, as the case may be, by the Bank's Loan Committee, the Bank's Board or Council. There are certain limits to authorized persons established regarding credit granting implementation as well as approval limits to collegial bodies. Limit establishment depends on the authorized persons' qualification, experience and the effectiveness of their managed branches; while in the Branch Committees and the Bank Loan Committee the attention is paid to the Committee members' qualification, experience and economic activity of the region, where the branch is located, the quality of loan portfolio and other factors.

FINANCIAL RISK MANAGEMENT (continued)

It is very important to precisely analyse all the information about the customer before granting the credit. The goal of credit analysis is to do the best in evaluating the customer's status and prospects in the field where he/she provides his/her goods or services. The repayment of credits granted by the Bank must be enough secure in order to minimize possible credit repayment risks. A security measure has to be chosen in accordance with the credit type. Providing credit first of all the Bank analyses the borrower's financial capacity and credit repayment possibilities from the borrower's cash flows.

Credit administration and constant credit monitoring is the main principle in the Bank's security and reliability maintenance. The proper credit administration includes the timely updating of the borrower's credit file, providing with the latest financial information, the timely introduction of latest financial information to the database and preparation of the various documents and their amendments.

The Bank's Credit Risk Department collects and, if necessary, provides to responsible managerial personnel information on external conditions, the growth of the credit portfolio and fulfilment of targeted profit, expenses associated with risks, the largest amounts due from clients, distribution of credits by the type of economic activity, repayment terms past due, the largest clients with default possibilities, analysis of the credit portfolio by risk groups, changes in risk groups over a certain time period.

The Bank establishes and implements the procedures, improves information systems for monitoring separate credits as well as loan portfolio. These procedures include the criteria for early indication of potentially impaired loans and other transactions.

(b) Debt securities

Credit risk exposures with respect to debt securities are managed by carrying out counterparty analysis when decision for acquisition of securities is made. The concentration risk together with lending exposure arising from debt securities portfolio is analysed and monitored on a regular basis by the Risk Management Committee of the Bank.

(c) Credit-related commitments

Other credit-related commitments assumed by the Group include guarantees, letters of documentary credit, commitments to grant a credit which expose the Group to the same credit risk as the loans do. The key aim of these instruments is to ensure that funds are available to a customer as required. The above guarantees and letters of documentary credit are usually collateralised by clients' funds in the Bank accounts. With regards to commitments to grant credit the Bank is exposed to loss equal to the unused commitment amount.

1.2. Risk limit control and mitigation policies

(a) Concentrations

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

In addition to the Bank of Lithuania requirements to limit the exposures to a single borrower and large exposures, the Group also sets exposure requirement, which to a single borrower may not exceed 15 percent of the Bank's capital. The Bank's Council must approve the higher limits. The maximum exposure requirement to a single borrower established by the Bank of Lithuania is 25 percent. Concentration of credit risk of the Bank is disclosed in Section 1.8. of Financial Risk Management disclosure.

The Group also sets limits to industry segments, i.e. a possible concentration in certain industries at the Group's level is restricted by the internal lending limits. The percentage and volume of lending limits are set for individual industries to ensure that the Group is not overly exposed to any particular economic sector in the country.

The geographical concentration risk is not recognised in the Group's business since the principle of focusing on domestic customers is followed.

Some other specific control and mitigation measures are outlined below.

FINANCIAL RISK MANAGEMENT (continued)

(b) Collateral

The Group mitigates credit risk by taking security for loans granted. The types of collateral considered by the Group as the most acceptable for loans and advances are the following:
• Real estate (mainly residential properties, commercial and industrial real estate);
• Business assets (equipment, inventory, transport vehicles);
• Property rights over financial instruments (debt securities, equities);
• Third party guarantees.

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

While calculating a decrease in value for the loan the repayment of which is secured by the collateral, a cash flow from the security measure is also included into the loan cash flow. Taking into consideration the historical data, facts and probability to sell the object of the security measures and the expenses of its sales, the discount ratios applied at the Bank are provided. If several loans are insured with the same security measure (collateral), such security measure (collateral) is divided to every loan pro rata.

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

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

1.3. Impairment and provisioning policies

Upon assessing impairment losses on loans, available-for-sale assets and other assets the Group follows the requirements of IAS 39 Financial Instruments: Recognition and Measurement. Impairment losses are recognized for financial reporting purposes only for those exposures that have been impaired at the balance sheet date based on objective evidence of impairment.

The Group and the Bank carries out valuation of assets on a monthly basis, based on valuation policies approved by the Board of the Bank. The amount of impairment provision is based on the individual assessment of specific assets using discounted cash flow method and effective interest rates. Collateral is also taken into consideration when estimating an impairment provision.

The following loss events are considered by the Group and the Bank when estimating provision for loan impairment. Events that may cause loss in future cannot be recognized as a loss event on the loan evaluation day.

The list of loss events:
1) significant financial difficulties of the debtor or issuer, i.e. the borrower's financial status is evaluated as poor or bad;
2) violation of the loan agreement (non-payment of the periodic loan payments (the part of the loan or interest)) for more than 30 days;
3) the loan is being recovered;
4) funds granted to the borrower are used not according to the loan purpose, the implementation terms of investment project are violated or decrease in collateral value, when repayment terms of the evaluated loans directly depend on the value of the object of security measure;
5) third parties related to the borrower do not fulfil their obligations, which impacts the borrower's ability to fulfil its financial obligations;
6) other loss events (termination or cancellation of the licence validity of the borrower or issuer engaged in licensed activity; the death of the borrower or issuer).

FINANCIAL RISK MANAGEMENT (continued)

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

	2014		2013	
	Group	**Bank**	**Group (restated)**	**Bank**
Loans and advances to banks	**19,561**	**18,178**	**8,528**	**5,995**
Loans and advances to customers:	**2,486,676**	**2,730,323**	**2,513,584**	**2,723,662**
Loans and advances to financial institutions	**33**	**202,335**	**-**	**215,734**
Loans to individuals (Retail):	**356,033**	**194,162**	**365,145**	**195,246**
- Consumer loans	183,305	24,944	188,259	28,924
- Mortgages	97,959	97,959	101,242	101,242
- Credit cards	6,631	3,131	13,709	3,242
- Other (reverse repurchase agreements, other loans backed by securities, other)	68,138	68,128	61,935	61,838
Loans to business customers:	**2,130,610**	**2,333,826**	**2,148,439**	**2,312,682**
- Large corporates	159,533	159,533	195,113	195,113
- SME	1,605,437	1,808,667	1,643,086	1,807,341
- Central and local authorities, administrative bodies and other	365,640	365,626	310,240	310,228
Finance lease receivables	**185,313**	**10,592**	**218,109**	**20,779**
- Individuals	18,398	-	14,463	-
- Business customers	166,915	10,592	203,646	20,779
Securities at fair value through profit or loss:	**133,864**	**193,205**	**103,844**	**193,146**
- Debt securities	133,864	193,205	103,844	193,146
Derivative financial instruments	**24,505**	**22,960**	**22,347**	**21,008**
Securities available for sale	**73,599**	**73,599**	**184,663**	**184,663**
- Debt securities	73,599	73,599	184,663	184,663
Investment securities held to maturity	**1,567,971**	**1,546,017**	**1,309,375**	**1,300,833**
- Debt securities	1,567,971	1,546,017	1,309,375	1,300,833
Other financial assets	**2,304**	**465**	**10,465**	**423**
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	100,829	100,886	103,683	104,473
Letters of credit	1,087	1,087	7,039	7,039
Loan commitments and other credit related liabilities	350,266	358,070	248,104	252,847
At 31 December	**4,945,975**	**5,055,382**	**4,729,741**	**4,814,868**

The table above represents a worst case scenario of credit risk exposure at 31 December 2014 and 2013, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures presented above are net carrying amount as reported in the balance sheet.

FINANCIAL RISK MANAGEMENT (continued)

1.5. Loans and advances

Loans and advances are summarised as follows:

	2014		2013	
	Group	**Bank**	**Group (restated)**	**Bank**
Loans to business customers	2,625,483	3,026,828	2,739,598	3,120,652
Loans to individuals	383,720	205,401	407,675	219,695
Subtract: Difference between acquisition value and gross value *	(358,048)	(358,048)	(473,782)	(473,782)
Gross	**2,651,155**	**2,874,181**	**2,673,491**	**2,866,565**
Subtract: Allowance for impairment	(164,479)	(143,858)	(159,907)	(142,903)
Of which: for individually assessed loans	*(163,184)*	*(143,858)*	*(158,853)*	*(142,903)*
Of which: for collectively assessed loans	*(1,295)*	-	*(1,054)*	-
Net	**2,486,676**	**2,730,323**	**2,513,584**	**2,723,662**

* Difference between acquisition value and gross value is the difference between the acquisition value of the loans acquired under the transaction transfer of assets, rights, transactions and liabilities of Ūkio Bankas and the gross value of the above-mentioned loans.

31 December 2014

	Group		Bank	
	Loans and advances to customers	**Loans and advances to banks and financial institutions**	**Loans and advances to customers**	**Loans and advances to banks and financial institutions**
Neither past due nor individually impaired	2,105,115	33	2,170,049	202,335
Past due but not individually impaired	291,150	-	276,965	-
Individually impaired	254,857	-	224,832	-
Gross	**2,651,122**	**33**	**2,671,846**	**202,335**
Less: allowance for impairment	(164,479)	-	(143,858)	-
Of which: for individually assessed loans	*(163,184)*	-	*(143,858)*	-
Of which: for collectively assessed loans	*(1,295)*	-	-	-
Net	**2,486,643**	**33**	**2,527,988**	**202,335**

31 December 2013

	Group (restated)		Bank	
	Loans and advances to customers	**Loans and advances to banks and financial institutions**	**Loans and advances to customers**	**Loans and advances to banks and financial institutions**
Neither past due nor individually impaired	2,075,604	-	2,090,135	215,734
Past due but not individually impaired	353,758	-	342,075	-
Individually impaired	244,129	-	218,621	-
Gross	**2,673,491**	**-**	**2,650,831**	**215,734**
Less: allowance for impairment	(159,907)	-	(142,903)	-
Of which: for individually assessed loans	*(158,853)*	-	*(142,903)*	-
Of which: for collectively assessed loans	*(1,054)*	-	-	-
Net	**2,513,584**	**-**	**2,507,928**	**215,734**

During the year ended 31 December 2014, the Group's total loans and advances decreased by 0.84%. The Group's total impairment provision for loans and advances amounts to LTL 164,479 thousand (2013: LTL 159,907 thousand) and it accounts for 6.20% of the respective portfolio (2013: 5.98%).The Group's impaired loans and advances to customers comprise 9.61% of the total portfolio (2013: 9.13%).

Impaired loan - is a loan to which a loss event is recognized and allowance for impairment is made. The list of loss events is presented in Impairment and provisioning policies section above.

FINANCIAL RISK MANAGEMENT (continued)

a) Loans and advances neither past due nor individually impaired

All loans and advances to financial institutions are considered as standard exposures for the purpose of credit quality analysis. There were neither past due nor impaired loans and advances to financial institutions. Standard loan is a loan when its repayment is not past due and the borrower's financial performance is either very good or good. Watch loan is a loan when its repayment is not past due and the borrower's financial performance is satisfactory. Substandard loan is a loan when its repayment is not past due and the borrower's financial performance is poor or bad.

31 December 2014

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Standard	160,993	63,413	5,451	24,002	**253,859**
Watch	261	12,346	98	28,427	**41,132**
Substandard	11	9,350	59	8,396	**17,816**
Gross	**161,265**	**85,109**	**5,608**	**60,825**	**312,807**
Allowance for impairment of collectively assessed loans	(971)	-	(8)	-	(979)
Net	**160,294**	**85,109**	**5,600**	**60,825**	**311,828**

	Group loans to business customers				
	SME	**Large corporates**	**Financial institutions**	**Central and local authorities and other**	**Total**
Standard	680,495	101,632	33	263,100	**1,045,260**
Watch	605,637	49,740	-	45,743	**701,120**
Substandard	41,837	-	-	4,124	**45,961**
Total	**1,327,969**	**151,372**	**33**	**312,967**	**1,792,341**

31 December 2013 (restated)

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Standard	162,839	61,084	10,866	25,553	**260,342**
Watch	411	13,108	104	16,922	**30,545**
Substandard	(6)	9,944	103	6,032	**16,073**
Gross	**163,244**	**84,136**	**11,073**	**48,507**	**306,960**
Allowance for impairment of collectively assessed loans	(716)	-	(36)	-	(752)
Net	**162,528**	**84,136**	**11,037**	**48,507**	**306,208**

	Group loans to business customers				
	SME	**Large corporates**	**Financial institutions**	**Central and local authorities and other**	**Total**
Standard	610,634	146,752	-	286,835	**1,044,221**
Watch	617,944	23,536	-	8,804	**650,284**
Substandard	64,675	3,130	-	6,334	**74,139**
Total	**1,293,253**	**173,418**	**-**	**301,973**	**1,768,644**

FINANCIAL RISK MANAGEMENT (continued)

31 December 2014

	Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
Standard	22,259	63,413	3,032	24,002	**112,706**
Watch	261	12,346	39	28,427	**41,073**
Substandard	11	9,350	-	8,396	**17,757**
Total	**22,531**	**85,109**	**3,071**	**60,825**	**171,536**

	Bank loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Standard	880,125	101,632	202,335	263,086	**1,447,178**
Watch	612,227	49,740	-	45,743	**707,710**
Substandard	41,836	-	-	4,124	**45,960**
Total	**1,534,188**	**151,372**	**202,335**	**312,953**	**2,200,848**

31 December 2013

	Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
Standard	24,317	61,084	3,060	25,456	**113,917**
Watch	411	13,108	60	16,922	**30,501**
Substandard	(6)	9,944	-	6,032	**15,970**
Total	**24,722**	**84,136**	**3,120**	**48,410**	**160,388**

	Bank loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Standard	787,157	146,752	215,734	286,823	**1,436,466**
Watch	604,120	23,536	-	8,804	**636,460**
Substandard	63,091	3,130	-	6,334	**72,555**
Total	**1,454,368**	**173,418**	**215,734**	**301,961**	**2,145,481**

Other loans to individuals (retail) are secured loans, which are not classified as consumer or mortgage credits and which are assigned e.g. for various personal expenses of the natural entities, for acquisition of real estate, movables or securities.

Loans and advances neither past due nor impaired are loans which are not impaired and payments of which are not past due.

The Group and the Bank examines the potential borrower's financial performance before issuing a loan and monitors any development in financial performance during the whole loan service period. The Group and the Bank evaluates the borrower's financial performance at least quarterly.

For analysis of debt securities according to the credit quality see Notes 12 and 15.

FINANCIAL RISK MANAGEMENT (continued)

b) Loans and advances past due but not individually impaired.

Past due but not individually impaired loans are loans for which principal or interest is past due but no individual allowance for impairment is recognized.

31 December 2014

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Past due up to 30 days	11,420	4,984	117	4,770	**21,291**
Past due 30-60 days	40	1,305	-	289	**1,634**
Past due 60-90 days	12	357	-	290	**659**
Past due more than 90 days	45	2,634	-	421	**3,100**
Gross	**11,517**	**9,280**	**117**	**5,770**	**26,684**
Allowance for impairment of collectively assessed loans	(313)	-	(3)	-	(316)
Net	**11,204**	**-**	**114**	**-**	**26,368**
Fair value of collateral	712	9,233	-	5,597	15,542

	Group loans to business customers			
	SME	**Large corporates**	**Central and local authorities and other**	**Total**
Past due up to 30 days	60,439	7,228	51,551	**119,218**
Past due 30-60 days	46,139	933	-	**47,072**
Past due 60-90 days	8,622	-	-	**8,622**
Past due more than 90 days	89,275	-	279	**89,554**
Total	**204,475**	**8,161**	**51,830**	**264,466**
Fair value of collateral	197,429	7,796	278	205,503

31 December 2013 (restated)

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Past due up to 30 days	13,683	6,170	808	7,676	**28,337**
Past due 30-60 days	99	1,881	44	1,034	**3,058**
Past due 60-90 days	36	932	-	560	**1,528**
Past due more than 90 days	98	2,578	7	2,301	**4,984**
Gross	**13,916**	**11,561**	**859**	**11,571**	**37,907**
Allowance for impairment of collectively assessed loans	(284)	-	(18)	-	(302)
Net	**13,632**	**11,561**	**841**	**11,571**	**37,605**
Fair value of collateral	1,223	11,294	-	7,795	20,312

FINANCIAL RISK MANAGEMENT (continued)

	Group loans to business customers			
	SME	**Large corporates**	**Central and local authorities and other**	**Total**
Past due up to 30 days	94,516	2,547	8,171	**105,234**
Past due 30-60 days	8,356	407	-	**8,763**
Past due 60-90 days	29,446	253	-	**29,699**
Past due more than 90 days	153,571	18,488	96	**172,155**
Total	**285,889**	**21,695**	**8,267**	**315,851**
Fair value of collateral	260,995	21,260	69	282,324

31 December 2014

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Past due up to 30 days	1,793	4,984	4	4,770	**11,551**
Past due 30-60 days	17	1,305	-	289	**1,611**
Past due 60-90 days	6	357	-	290	**653**
Past due more than 90 days	31	2,634	-	421	**3,086**
Total	**1,847**	**9,280**	**4**	**5,770**	**16,901**
Fair value of collateral	712	9,233	-	5,597	15,542

	Bank loans to business customers			
	SME	**Large corporates**	**Central and local authorities and other**	**Total**
Past due up to 30 days	60,438	7,228	51,551	**119,217**
Past due 30-60 days	46,139	933	-	**47,072**
Past due 60-90 days	4,455	-	-	**4,455**
Past due more than 90 days	89,041	-	279	**89,320**
Total	**200,073**	**8,161**	**51,830**	**290,064**
Fair value of collateral	193,329	7,796	278	201,403

31 December 2013

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Past due up to 30 days	2,883	6,170	56	7,676	**16,785**
Past due 30-60 days	62	1,881	-	1,034	**2,977**
Past due 60-90 days	14	932	-	560	**1,506**
Past due more than 90 days	98	2,578	-	2,301	**4,977**
Total	**3,057**	**11,561**	**56**	**11,571**	**26,245**
Fair value of collateral	1,223	11,294	-	7,795	20,312

FINANCIAL RISK MANAGEMENT (continued)

	Bank loans to business customers			
	SME	**Large corporates**	**Central and local authorities and other**	**Total**
Past due up to 30 days	94,510	2,547	8,171	**105,228**
Past due 30-60 days	8,356	407	-	**8,763**
Past due 60-90 days	29,437	253	-	**29,690**
Past due more than 90 days	153,565	18,488	96	**172,149**
Total	**285,868**	**21,695**	**8,267**	**315,830**
Fair value of collateral	260,995	21,260	69	282,324

c) Loans and advances individually impaired

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group and the Bank as security is as follows:

31 December 2014

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Impaired loans	**25,081**	**7,985**	**3,560**	**3,616**	**40,242**
Allowance for impairment of individually assessed loans	(13,274)	(4,415)	(2,643)	(2,073)	(22,405)
Fair value of collateral	510	4,529	-	1,663	6,702

	Group loans to business customers			
	Large corporates	**SME**	**Central and local authorities and other**	**Total**
Impaired loans	**-**	**212,616**	**1,999**	**214,615**
Allowance for impairment of individually assessed loans	-	(139,623)	(1,156)	(140,779)
Fair value of collateral	-	118,042	1,999	120,041

31 December 2013 (restated)

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Impaired loans	**25,581**	**13,108**	**6,805**	**12,450**	**57,944**
Allowance for impairment of individually assessed loans	(13,482)	(7,563)	(4,974)	(10,593)	(36,612)
Fair value of collateral	835	7,311	-	1,688	9,834

FINANCIAL RISK MANAGEMENT (continued)

	Group loans to business customers			
	Large corporates	**SME**	**Central and local authorities and other**	**Total**
Impaired loans	**-**	**186,185**	**-**	**186,185**
Allowance for impairment of individually assessed loans	-	(122,241)	-	(122,241)
Fair value of collateral	-	88,449	-	88,449

31 December 2014

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Impaired loans	**1,406**	**7,985**	**165**	**3,421**	**12,977**
Allowance for impairment of individually assessed loans	(840)	(4,415)	(109)	(1,888)	(7,252)
Fair value of collateral	510	4,529	-	1,523	6,562

	Bank loans to business customers			
	SME	**Large corporates**	**Central and local authorities and other**	**Total**
Impaired loans	**209,856**	**-**	**1,999**	**211,855**
Allowance for impairment of individually assessed loans	(135,450)	-	(1,156)	(136,606)
Fair value of collateral	122,003	-	1,999	124,002

31 December 2013

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Impaired loans	**2,373**	**13,108**	**267**	**12,450**	**28,198**
Allowance for impairment of individually assessed loans	(1,228)	(7,563)	(201)	(10,593)	(19,585)
Fair value of collateral	835	7,311	-	1,688	9,834

	Bank loans to business customers			
	SME	**Large corporates**	**Central and local authorities and other**	**Total**
Impaired loans	**190,423**	-	-	190,423
Allowance for impairment of individually assessed loans	(123,318)	-	-	(123,318)
Fair value of collateral	92,576	-	-	92,576

During 2014 the Bank's estimated interest income on individually impaired loans amounted to LTL 7,803 thousand (2013: LTL 2,116 thousand).

Impairment loss by class of financial assets for loans is disclosed in Note 13.

FINANCIAL RISK MANAGEMENT (continued)

d) Loans and advances renegotiated

Loans and advances that are not past due or individually impaired at year end and which at the time of their renegotiation were of a substandard risk as at 31 December 2014 amounted to LTL 29 million (2013: LTL 26 million).

Renegotiated loans by the class of financial assets:

31 December 2014

	Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
Renegotiated loans	11	623	-	589	1,223

	Bank loans to business customers			
	SME	Large corporates	Central and local authorities and other	Total
Renegotiated loans	23,268	-	4,010	27,278

31 December 2013

	Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
Renegotiated loans	-	340	-	2,425	2,765

	Bank loans to business customers			
	SME	Large corporates	Central and local authorities and other	Total
Renegotiated loans	22,797	761	-	23,558

e) Information about loan collateral

The method for collateral valuation is selected by the Group and the Bank based on specifics of collateral and existing market conditions on the day of valuation. Based on collateral characteristics and the purpose of its valuation the following valuation methods are used: comparable sales price method or income capitalisation method. Fair values of the collateral are updated regularly in line with the Bank's procedures.

If loan is secured by several different types of collateral, priority in their recognition is based on their liquidity. Cash deposits are treated as having the highest liquidity followed by guarantees, residential real estate and then other real estate. Securities and other assets are treated as having the lowest liquidity.

Unsecured loans also include loans secured by other types of collateral (e.g. future inflow of funds into the borrowers' Bank accounts (controlled by the Bank), third party warrantees, bills of exchange, etc.). The total amount of loans to individuals and business customers secured by the above security measure, but disclosed as unsecured, as at 31 December 2014 amounted to LTL 253 million (2013: LTL 267 million). Totally unsecured loans comprise only consumer loans, credit cards and loans issued by the Bank to its subsidiaries.

For the purpose of calculation of impairment, fair values of the collateral are reduced by multiplying them with the certain ratio dependant on the type of collateral.

Following tables present the lower of loan and collateral amount per agreement.

FINANCIAL RISK MANAGEMENT (continued)

31 December 2014

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Unsecured loans	192,791	6,126	9,285	20,487	228,689
Loans collateralised by:	**5,072**	**96,248**	**-**	**49,724**	**151,044**
- residential real estate	5	85,167	-	20,200	105,372
- other real estate	-	7,137	-	22,135	29,272
- securities	-	130	-	2,435	2,565
- guarantees	5,067	3,814	-	4,408	13,289
- cash deposits	-	-	-	278	278
- other assets	-	-	-	268	268
Total	**197,863**	**102,374**	**9,285**	**70,211**	**379,733**

	Group loans to business customers				
	SME	**Large corporates**	**Financial institutions**	**Central and local authorities and other**	**Total**
Unsecured loans	263,389	10,402	10	321,241	595,042
Loans collateralised by:	**1,481,671**	**149,131**	**23**	**45,555**	**1,676,380**
- residential real estate	72,524	950	-	2,062	75,536
- other real estate	1,003,674	127,481	23	40,221	1,171,399
- securities	30,468	9,128	-	310	39,906
- guarantees	235,188	5,796	-	2,559	243,543
- cash deposits	11,602	-	-	161	11,763
- other assets	128,215	5,776	-	242	134,233
Total	**1,745,060**	**159,533**	**33**	**366,796**	**2,271,422**

31 December 2013 (restated)

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Unsecured loans	194,124	8,861	18,737	21,267	242,989
Loans collateralised by:	**8,617**	**99,944**	**-**	**51,261**	**159,822**
- residential real estate	5	86,967	-	22,518	109,490
- other real estate	-	7,228	-	20,404	27,632
- securities	-	147	-	3,480	3,627
- guarantees	8,612	5,602	-	3,630	17,844
- cash deposits	-	-	-	631	631
- other assets	-	-	-	598	598
Total	**202,741**	**108,805**	**18,737**	**72,528**	**402,811**

	Group loans to business customers				
	SME	**Large corporates**	**Financial institutions**	**Central and local authorities and other**	**Total**
Unsecured loans	321,144	34,411	-	295,568	651,123
Loans collateralised by:	**1,444,183**	**160,702**	**-**	**14,672**	**1,619,557**
- residential real estate	81,034	1,530	-	1,419	83,983
- other real estate	963,491	136,896	-	10,286	1,110,673
- securities	51,222	10,741	-	-	61,963
- guarantees	212,793	2,562	-	2,193	217,548
- cash deposits	11,693	69	-	24	11,786
- other assets	123, 950	8,904	-	750	133,604
Total	**1,765,327**	**195,113**	**-**	**310,240**	**2,270,680**

FINANCIAL RISK MANAGEMENT (continued)

31 December 2014

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Unsecured loans	20,712	6,126	3,240	20,432	50,510
Loans collateralised by:	**5,072**	**96,248**	**-**	**49,584**	**150,904**
- residential real estate	5	85,167	-	20,200	105,372
- other real estate	-	7,137	-	21,995	29,132
- securities	-	130	-	2,435	2,565
- guarantees	5,067	3,814	-	4,408	13,289
- cash deposits	-	-	-	278	278
- other assets	-	-	-	268	268
Total	**25,784**	**102,374**	**3,240**	**70,016**	**201,414**

	Bank loans to business customers				
	SME	**Large corporates**	**Financial institutions**	**Central and local authorities and other**	**Total**
Unsecured loans	450,121	10,402	202,312	321,226	984,061
Loans collateralised by:	**1,493,996**	**149,131**	**23**	**45,556**	**1,688,706**
- residential real estate	72,524	950	-	2,062	75,536
- other real estate	1,026,319	127,481	23	40,221	1,194,044
- securities	19,468	9,128	-	310	28,906
- guarantees	235,188	5,796	-	2,559	243,543
- cash deposits	11,602	-	-	161	11,763
- other assets	128,895	5,776	-	243	134,914
Total	**1,944,117**	**159,533**	**202,335**	**366,782**	**2,672,767**

31 December 2013

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Unsecured loans	21,535	8,861	3,443	21,170	55,009
Loans collateralised by:	**8,617**	**99,944**	**-**	**51,261**	**159,822**
- residential real estate	5	86,967	-	22,518	109,490
- other real estate	-	7,228	-	20,404	27,632
- securities	-	147	-	3,480	3,627
- guarantees	8,612	5,602	-	3,630	17,844
- cash deposits	-	-	-	631	631
- other assets	-	-	-	598	598
Total	**30,152**	**108,805**	**3,443**	**72,431**	**214,831**

	Bank loans to business customers				
	SME	**Large corporates**	**Financial institutions**	**Central and local authorities and other**	**Total**
Unsecured loans	498,781	34,411	215,734	295,556	1,044,482
Loans collateralised by:	**1,431,878**	**160,702**	**-**	**14,672**	**1,607,252**
- residential real estate	81,034	1,530	-	1,419	83,983
- other real estate	964,428	136,896	-	10,286	1,111,610
- securities	37,222	10,741	-	-	47,963
- guarantees	212,793	2,562	-	2,193	217,548
- cash deposits	11,693	69	-	24	11,786
- other assets	124,708	8,904	-	750	134,362
Total	**1,930,659**	**195,113**	**215,734**	**310,228**	**2,651,734**

FINANCIAL RISK MANAGEMENT (continued)

1.6. Finance lease receivables

Finance lease receivables are summarised as follows:

	2014 Group	2014 Bank	2013 Group (restated)	2013 Bank
Business customers	227,604	65,641	278,450	87,632
Individuals	19,255	-	15,655	-
Subtract: Difference between acquisition value and gross value *	(54,837)	(54,837)	(66,853)	(66,853)
Gross	**192,022**	**10,804**	**227,252**	**20,779**
Subtract: Allowance for impairment	(6,709)	(212)	(9,143)	-
Of which: for individually assessed finance lease receivables	*(6,694)*	-	*(9,120)*	-
Of which: for collectively assessed finance lease receivables	*(15)*	-	*(23)*	-
Net	**185,313**	**10,592**	**218,109**	**20,779**

* Difference between acquisition value and gross value is the difference between the acquisition value of the finance lease receivables acquired under the transaction transfer of assets, rights, transactions and liabilities of Ūkio Bankas and the gross value of the above-mentioned receivables.

The Group	2014 Individuals	2014 Business customers	2014 Total	2013 (restated) Individuals	2013 (restated) Business customers	2013 (restated) Total
Neither past due nor individually impaired	15,658	117,047	132,705	11,902	158,697	170,599
Past due but not individually impaired	2,556	47,669	50,225	2,094	35,856	37,950
Individually impaired	1,041	8,051	9,092	1,659	17,044	18,703
Gross	**19,255**	**172,767**	**192,022**	**15,655**	**211,597**	**227,252**
Less: allowance for impairment	(857)	(5,852)	(6,709)	(1,193)	(7,950)	(9,143)
Of which: for individually assessed finance lease receivables	*(842)*	*(5,852)*	*(6,694)*	*(1,170)*	*(7,950)*	*(9,120)*
Of which: for collectively assessed finance lease receivables	*(15)*	-	*(15)*	*(23)*	-	*(23)*
Net	**18,398**	**166,915**	**185,313**	**14,462**	**203,647**	**218,109**

The Bank	2014 Individuals	2014 Business customers	2014 Total	2013 Individuals	2013 Business customers	2013 Total
Neither past due nor impaired	-	9,487	9,487	-	11,028	11,028
Past due but not impaired	-	935	935	-	9,751	9,751
Impaired	-	382	382	-	-	-
Gross	**-**	**10,804**	**10,804**	**-**	**20,779**	**20,779**
Less: allowance for impairment	-	(212)	(212)	-	-	-
Of which: for individually assessed finance lease receivables	-	*(212)*	*(212)*	-	-	-
Of which: for collectively assessed finance lease receivables	-	-	-	-	-	-
Net	**-**	**10,592**	**10,592**	**-**	**20,779**	**20,779**

During the year ended 31 December 2014, finance lease receivables portfolio of the Group decreased by 15.50%. Total impairment provisions for finance lease receivables of the Group amount to LTL 6,709 thousand (2013: LTL 9,143 thousand) and account for 3.49% of the respective portfolio (2013: 4.02%).

FINANCIAL RISK MANAGEMENT (continued)

a) Finance lease receivables neither past due nor individually impaired

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

	The Group					
	2014			2013 (restated)		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Standard	15,469	61,136	76,605	10,957	73,522	84,479
Watch	131	44,745	44,876	84	73,454	73,538
Substandard	58	11,166	11,224	861	11,721	12,582
Gross	**15,658**	**117,047**	**132,705**	**11,902**	**158,697**	**170,599**
Allowance for impairment of collectively assessed finance lease receivables	(11)	-	(11)	(17)	-	(17)
Net	**15,647**	**117,047**	**132,694**	**11,885**	**158,697**	**170,582**

	The Bank					
	2014			2013		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Standard	-	6,122	6,122	-	-	-
Watch	-	1,081	1,081	-	8,246	8,246
Substandard	-	2,284	2,284	-	2,782	2,782
Total	**-**	**9,487**	**9,487**	**-**	**11,028**	**11,028**

Standard lease receivable is a receivable when its repayment is not past due and the borrower's financial performance is either very good or good. Watch lease receivable is a receivable when its repayment is not past due and the borrower's financial performance is satisfactory. Substandard lease receivable is a receivable when its repayment is not past due and the borrower's financial performance is poor or bad.

b) Finance lease receivables past due but not individually impaired

	The Group					
	2014			2013 (restated)		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Past due up to 3 days	445	14,974	15,419	200	14,342	14,542
Past due 4-40 days	1,980	29,069	31,049	1,454	6,605	8,059
Past due 41-90 days	115	2,654	2,769	13	4,955	4,968
Past due more than 90 days	16	972	988	427	9,954	10,381
Gross	**2,556**	**47,669**	**50,225**	**2,094**	**35,856**	**37,950**
Allowance for impairment of collectively assessed finance lease receivables	(4)	-	(4)	(6)	-	(6)
Net	**2,552**	**47,669**	**50,221**	**2,088**	**35,856**	**37,944**
Fair value of the collateral	1,484	29,124	30,608	1,259	21,804	23,063

FINANCIAL RISK MANAGEMENT (continued)

	The Bank					
	2014			2013		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Past due up to 3 days	-	-	-	-	-	-
Past due 4-40 days	-	42	42	-	-	-
Past due 41-90 days	-	-	-	-	-	-
Past due more than 90 days	-	893	893	-	9,751	9,751
Total	**-**	**935**	**935**	**-**	**9,751**	**9,751**
Fair value of the collateral	-	935	935	-	9,751	9,751

c) Finance lease receivables individually impaired

	The Group		
	Individuals	Business customers	Total
31 December 2014			
Individually impaired	1,041	8,051	9,092
Fair value of collateral	403	6,059	6,462
31 December 2013 (restated)			
Individually impaired	1,659	17,044	18,703
Fair value of collateral	51	7,804	7,855

	The Bank		
	Individuals	Business customers	Total
31 December 2014			
Individually impaired	-	382	382
Fair value of collateral	-	282	282
31 December 2013			
Individually impaired	-	-	-
Fair value of collateral	-	-	-

d) Information about risk mitigation measures for finance lease receivables

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

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

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

FINANCIAL RISK MANAGEMENT (continued)

Following tables present the lower of lease receivable and collateral amount per agreement.

	The Group					
	2014			2013 (restated)		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	65	1,116	1,181	148	1,464	1,612
Finance lease receivables secured by:						
- transport vehicles	13,084	53,309	66,393	7,814	54,409	62,223
- real estate	3,495	85,926	89,421	2,720	109,426	112,146
- airplanes	-	4,738	4,738	-	-	-
- railway equipment	-	-	-	-	6,114	6,114
- production equipment	10	8,972	8,982	9	16,281	16,290
- other equipment	900	16,293	17,193	2,339	5,185	7,524
- other assets	1,701	2,413	4,114	2,625	18,718	21,343
Total	**19,255**	**172,767**	**192,022**	**15,655**	**211,597**	**227,252**

	The Bank					
	2014			2013		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	-	312	312	-	-	-
Finance lease receivables secured by:						
- transport vehicles	-	100	100	-	267	267
- real estate	-	9,733	9,733	-	20,450	20,450
- airplanes	-	-	-	-	-	-
- railway equipment	-	-	-	-	-	-
- production equipment	-	617	617	-	12	12
- other equipment	-	42	42	-	50	50
- other assets	-	-	-	-	-	-
Total	**-**	**10,804**	**10,804**	**-**	**20,779**	**20,779**

FINANCIAL RISK MANAGEMENT (continued)

1.7. Other financial assets

	The Group					
	2014			2013 (restated)		
	Individuals	**Business customers**	**Total**	**Individuals**	**Business customers**	**Total**
Neither past due nor impaired	-	685	685	4,267	5,300	9,567
Past due but not impaired	-	-	-	-	-	-
Impaired	7,760	-	7,760	6,237	2,865	9,102
Gross	**7,760**	**685**	**8,445**	**10,504**	**8,165**	**18,669**
Less: allowance for impairment	(6,141)	-	(6,141)	(5,956)	(2,248)	(8,204)
Net	**1,619**	**685**	**2,304**	**4,548**	**5,917**	**10,465**

	The Bank					
	2014			2013		
	Individuals	**Business customers**	**Total**	**Individuals**	**Business customers**	**Total**
Neither past due nor impaired	-	465	465	-	423	423
Past due but not impaired	-	-	-	-	-	-
Impaired	5,915	-	5,915	5,561	-	5,561
Gross	**5,915**	**465**	**6,380**	**5,561**	**423**	**5,984**
Less: allowance for impairment	(5,915)	-	(5,915)	(5,561)	-	(5,561)
Net	**-**	**465**	**465**	**-**	**423**	**423**

a) *Amounts receivable neither past due nor impaired*

	2014		2013			
	Group	**Bank**	**Group** (restated)			**Bank**
	Business customers	**Business customers**	**Individuals**	**Business customers**	**Total**	**Business customers**
Standard	685	465	4,267	5,300	9,567	423
Watch	-	-	-	-	-	-
Sub-standard	-	-	-	-	-	-
Total:	**685**	**465**	**4,267**	**5,300**	**9,567**	**423**

b) *Impaired amounts receivable*

100% provision for impairment is recognized for other assets that are impaired unless there are collaterals available. The amount of impaired other assets that were not provisioned against because of the impact of collateral is presented in the table below. Collateral mainly consists of real estate.

	2014		2013	
	Group	**Bank**	**Group**	**Bank**
Impact of collateral on impaired other financial assets	1,619	-	898	-

FINANCIAL RISK MANAGEMENT (continued)

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

Industry sectors

The Group and the Bank established lending limits for loans granted to a particular industry, which are reviewed on a regular basis based on the Bank's decision. The following limits have been approved by the Board of the Bank: wholesale and retail –15% of the total loan portfolio, loans to individuals – 10%, manufacturing – 20%, construction – 10%, real estate and rent – 24% (Group – 28%), agriculture, hunting and forestry – 10%, transport, storage and communication – 5%, hotels and restaurants – 5%, health and social work – 5%. As at 31 December 2014 the Group and the Bank were compliant with the above limits.

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

Bank

	Financial interme-diation	Wholesale and retail	Manufac-turing	Real estate and rent	Construc-tion	Agriculture, hunting and forestry	Hotels and restaurants	Transport, storage and communica-tion	Health and social work	Loans to individuals	Other	Total
Loans and advances to banks	**18,178**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,178**
Loans and advances to customers:	**254,451**	**293,930**	**328,353**	**539,435**	**202,255**	**153,277**	**67,749**	**70,951**	**89,919**	**194,162**	**535,841**	**2,730,323**
Loans and advances to financial institutions	**202,335**	-	-	-	-	-	-	-	-	-	-	**202,335**
Loans to individuals (Retail):	-	-	-	-	-	-	-	-	-	**194,162**	-	**194,162**
- Mortgages	-	-	-	-	-	-	-	-	-	97,959	-	97,959
- Consumer loans	-	-	-	-	-	-	-	-	-	24,944	-	24,944
- Credit cards	-	-	-	-	-	-	-	-	-	3,131	-	3,131
- Other	-	-	-	-	-	-	-	-	-	68,128	-	68,128
Loans to business customers:	**52,116**	**293,930**	**328,353**	**539,435**	**202,255**	**153,277**	**67,749**	**70,951**	**89,919**	-	**535,841**	**2,333,826**
- SME	52,116	289,505	277,709	539,435	180,303	153,170	63,772	48,836	9,514	-	194,307	1,808,667
- Large corporates	-	4,425	50,635	-	19,247	107	-	67	68,239	-	16,813	159,533
- Central and local authorities, administrative bodies and other	-	-	9	-	2,705	-	3,977	22,048	12,166	-	324,721	365,626
Finance lease receivables:	-	-	**7,166**	-	-	**42**	**539**	-	-	-	**2,845**	**10,592**
- Individuals	-	-	-	-	-	-	-	-	-	-	-	-
- Business customers	-	-	7,166	-	-	42	539	-	-	-	2,845	10,592
Securities at fair value through profit or loss:	**107,091**	-	**4,182**	-	-	-	-	**1,807**	-	-	**80,510**	**193,590**
- Debt securities	107,091	-	4,182	-	-	-	-	1,422	-	-	80,510	193,205
- Equity securities	-	-	-	-	-	-	-	385	-	-	-	385
Derivative financial instruments	**3**	**2,451**	**3,604**	**2,383**	**1,889**	**2,729**	**614**	**583**	**194**	**3,601**	**4,909**	**22,960**
Securities available for sale:	**17,559**	-	**13,561**	-	-	-	-	**6,969**	-	-	**37,333**	**75,422**
- Equity securities	447	-	39	-	-	-	-	-	-	-	1,337	1,823
- Debt securities	17,112	-	13,522	-	-	-	-	6,969	-	-	35,996	73,599
Investment securities held-to-maturity:	**110,595**	-	**100,061**	-	-	-	-	**47,109**	**3,629**	-	**1,284,623**	**1,546,017**
-debt securities	110,595	-	100,061	-	-	-	-	47,109	3,629	-	1,284,623	1,546,017
Other financial assets	**462**	-	-	-	-	-	-	-	-	-	**3**	**465**
Credit risk exposures relating to off –balance sheet items are as follows:												
Financial guarantees	21,150	17,576	18,090	10,194	17,049	643	220	3,364	41	96	12,463	100,886
Letters of credit	-	1,087	-	-	-	-	-	-	-	-	-	1,087
Loan commitments and other credit related liabilities	9,606	37,435	48,220	93,813	59,951	16,126	5,461	4,142	4,854	9,721	68,741	358,070
At 31 December 2014	**539,095**	**352,479**	**523,237**	**645,825**	**281,144**	**172,817**	**74,583**	**134,925**	**98,637**	**207,580**	**2,027,268**	**5,057,590**
At 31 December 2013	**604,200**	**374,020**	**541,910**	**586,985**	**254,083**	**170,643**	**65,929**	**98,761**	**115,653**	**204,566**	**1,800,389**	**4,817,139**

FINANCIAL RISK MANAGEMENT (continued)

Group

	Financial interme-diation	Wholesale and retail	Manufac-turing	Real estate and rent	Construc-tion	Agricul-ture, hunting and forestry	Hotels and restau-rants	Transport, storage and communi-cation	Health and social work	Loans to indivi-duals	Other	Total
Loans and advances to banks	**19,561**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19,561**
Loans and advances to customers:	**41,811**	**294,097**	**326,911**	**395,499**	**158,587**	**153,313**	**67,749**	**70,951**	**89,919**	**356,033**	**531,806**	**2,486,676**
Loans and advances to financial institutions	**33**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33**
Loans to individuals (Retail):	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**356,033**	**-**	**356,033**
- Mortgages	-	-	-	-	-	-	-	-	-	97,959	-	97,959
- Consumer loans	-	-	-	-	-	-	-	-	-	183,305	-	183,305
- Credit cards	-	-	-	-	-	-	-	-	-	6,631	-	6,631
- Other	-	-	-	-	-	-	-	-	-	68,138	-	68,138
Loans to business customers:	**41,778**	**294,097**	**326,911**	**395,499**	**158,587**	**153,313**	**67,749**	**70,951**	**89,919**	**-**	**531,806**	**2,130,610**
- SME	41,778	289,672	276,267	395,499	136,635	153,206	63,772	48,836	9,514	-	190,258	**1,605,437**
- Large corporates	-	4,425	50,635	-	19,247	107	-	67	68,239	-	16,813	**159,533**
- Central and local authorities, administrative bodies and other	-	-	9	-	2,705	-	3,977	22,048	12,166	-	324,735	**365,640**
Finance lease receivables:	**3,738**	**26,612**	**24,769**	**25,195**	**6,278**	**8,171**	**18,288**	**27,723**	**717**	**18,398**	**25,424**	**185,313**
- Individuals	-	-	-	-	-	-	-	-	-	18,398	-	18,398
- Business customers	3,738	26,612	24,769	25,195	6,278	8,171	18,288	27,723	717	-	25,424	166,915
Securities at fair value through profit or loss:	**58,833**	**2,523**	**7,886**	**-**	**-**	**-**	**-**	**5,531**	**-**	**-**	**105,112**	**179,885**
- Debt securities	13,197	2,523	7,886	-	-	-	-	5,146	-	-	105,112	133,864
- Equity securities	45,636	-	-	-	-	-	-	385	-	-	-	46,021
Derivative financial instruments	**38**	**2,837**	**3,838**	**2,477**	**1,988**	**2,822**	**628**	**924**	**205**	**3,601**	**5,147**	**24,505**
Securities available for sale:	**17,559**	**-**	**13,561**	**-**	**-**	**-**	**-**	**7,141**	**691**	**-**	**37,416**	**76,368**
- Equity securities	447	-	39	-	-	-	-	172	691	-	1,420	2,769
- Debt securities	17,112	-	13,522	-	-	-	-	6,969	-	-	35,996	73,599
Investment securities held-to-maturity:	**111,621**	**-**	**100,061**	**8,718**	**-**	**-**	**-**	**47,109**	**3,629**	**-**	**1,296,833**	**1,567,971**
- Debt securities	111,621	-	100,061	8,718	-	-	-	47,109	3,629	-	1,296,833	1,567,971
Other assets	**468**	**-**	**-**	**214**	**-**	**-**	**-**	**-**	**-**	**1,619**	**3**	**2,304**
Credit risk exposures relating to off –balance sheet items are as follows:												
Financial guarantees	21,138	17,576	18,045	10,194	17,049	643	220	3,364	41	96	12,463	100,829
Letters of credit	-	1,087	-	-	-	-	-	-	-	-	-	1,087
Loan commitments and other credit related liabilities	11	37,435	48,214	88,808	64,721	16,126	5,461	4,142	4,854	10,532	69,962	350,266
At 31 December 2014	**274,778**	**382,167**	**543,285**	**531,105**	**248,623**	**181,075**	**92,346**	**166,885**	**100,056**	**390,279**	**2,084,166**	**4,994,765**
At 31 December 2013 (restated)	**307,045**	**401,367**	**592,286**	**461,284**	**259,594**	**176,767**	**86,436**	**129,310**	**117,493**	**395,134**	**1,847,818**	**4,774,534**

Concentration exposure
As at 31 December 2014, 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 68.2 million, i.e. 17.47% of the Bank's calculated capital (2013: LTL 73.8 million or 19.62% of the Bank's calculated capital).

2. Market risk

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

2.1. Foreign exchange risk

The management of the currency exchange risk is regulated by the "Currency Exchange Risk Management Procedures" which specify the principles allowing the Group to reduce the incurred foreign currency fluctuation risk to minimum. The Group is not engaged in any speculative transactions through which it could expect to earn profit from the open currency positions after changes in currency rate. The Board of the Bank approves and reviews on regular basis the maximum limits set to the open currency positions at the level of the Bank's subsidiary companies and the Bank. The Treasury Department of the Bank bears responsibility for the Group's compliance with the Currency Exchange Risk Management Procedures.

FINANCIAL RISK MANAGEMENT (continued)

The Group and the Bank monitors the foreign currency risk by calculating open currency position. Open currency position (OCP) is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. There are two types of OCP, i.e. long and short. Long position means that Group's assets exceed liabilities in given currency, whereas short position means that liabilities exceed assets. The Group also calculates Overall net open position (ONOP), which is the higher of the total short or total long positions. As at 31 December 2014 the Group's ONOP to capital ratio was 0.86% (2013: 2.06%), the Bank's ONOP to capital ratio was 0.58% (2013: 2.04%).

Open positions

The Group's open positions of prevailing currencies as at 31 December 2014 were as follows:

	USD	Other currencies	Total currencies	EUR	LTL	Total
Assets						
Cash and cash equivalents	50,669	38,788	89,457	133,997	458,253	681,707
Due from other banks	8,873	-	8,873	6,740	3,948	19,561
Securities at fair value through profit or loss	77,976	558	78,534	65,265	36,086	179,885
Derivative financial instruments	4	-	4	5,512	18,989	24,505
Loans granted to customers, finance lease receivables	8,916	-	8,916	637,581	2,025,492	2,671,989
Investment securities						
- available-for-sale securities	32,853	-	32,853	28,051	15,464	76,368
- held-to-maturity securities	63,336	1,026	64,362	512,726	990,883	1,567,971
Intangible assets	-	-	-	-	11,482	11,482
Property, plant and equipment and investment property	-	-	-	-	108,379	108,379
Other assets	305	1	306	15,866	304,603	320,775
Total assets	242,932	40,373	283,305	1,405,738	3,973,579	5,662,622
Liabilities and shareholders' equity						
Due to other banks and financial institutions	136	-	136	169,661	23,003	192,800
Due to customers	220,515	36,478	256,993	1,069,024	3,569,405	4,895,422
Subordinated loan	-	-	-	66,623	-	66,623
Liabilities related to insurance activities	20,126	558	20,684	33,506	14,676	68,866
Other liabilities	77	64	141	2,328	68,330	70,799
Shareholders' equity	(504)		(504)	1,089	367,527	368,112
Total liabilities and shareholders' equity	240,350	37,100	277,450	1,342,231	4,042,941	5,662,622
Net balance sheet position	2,582	3,273	5,855	63,507	(69,362)	-
Open currency exchange transactions	(3,123)	-	(3,123)	3,126	-	3
Net open position	(541)	3,273	2,732	66,633	(69,362)	3

The Group's open positions of prevailing currencies as at 31 December 2013 (restated) were as follows:

	USD	Other currencies	Total currencies	EUR	LTL	Total
Assets	196,442	46,805	243,247	1,283,749	3,806,938	5,333,934
Liabilities and shareholders' equity	188,162	37,006	225,168	1,264,984	3,843,782	5,333,934
Net balance sheet position	8,280	9,799	18,079	18,765	(36,844)	-
Open currency exchange transactions	(6,275)	(4,241)	(10,516)	10,524	-	8
Net open position	2,005	5,558	7,563	29,289	(36,844)	8

FINANCIAL RISK MANAGEMENT (continued)

The Bank's open positions of prevailing currencies as at 31 December 2014 were as follows:

	USD	Other currencies	Total currencies	EUR	LTL	Total
Assets						
Cash and cash equivalents	50,474	38,788	89,262	131,847	457,301	678,410
Due from other banks	8,873	-	8,873	6,740	2,565	18,178
Securities at fair value through profit or loss	58,044	-	58,044	385	135,161	193,590
Derivative financial instruments	4	-	4	5,512	17,444	22,960
Loans granted to customers, finance lease receivables	8,916	-	8,916	630,605	2,101,394	2,740,915
Investment securities						
- available-for-sale securities	32,853	-	32,853	28,051	14,518	75,422
- held-to-maturity securities	63,336	-	63,336	512,726	969,955	1,546,017
Investments in subsidiaries	-	-	-	-	102,501	102,501
Intangible assets	-	-	-	-	1,423	1,423
Property, plant and equipment and investment property	-	-	-	-	46,219	46,219
Other assets	304	1	305	15,866	117,568	133,739
Total assets	222,804	38,789	261,593	1,331,732	3,966,049	5,559,374
Liabilities and shareholders' equity						
Due to other banks and financial institutions	136		136	169,692	44,173	214,001
Due to customers	220,515	36,478	256,993	1,069,024	3,570,796	4,896,813
Subordinated loan	-	-	-	66,623	-	66,623
Other liabilities	77	64	141	2,257	17,931	20,329
Shareholders' equity	(504)		(504)	1,089	361,023	361,608
Total liabilities and shareholders' equity	220,224	36,542	256,766	1,308,685	3,993,923	5,559,374
Net balance sheet position	2,580	2,247	4,827	23,047	(27,874)	-
Open currency exchange transactions	(3,123)	-	(3,123)	3,126	-	3
Net open position	(543)	2,247	1,704	26,173	(27,874)	3

The Bank's open positions of prevailing currencies as at 31 December 2013 were as follows:

	USD	Other currencies	Total currencies	EUR	LTL	Total
Assets	182,649	46,526	229,175	1,215,601	3,806,052	5,250,828
Liabilities and shareholders' equity	174,375	36,727	211,102	1,233,320	3,806,406	5,250,828
Net balance sheet position	8,274	9,799	18,073	(17,719)	(354)	-
Open currency exchange transactions	(6,275)	(4,241)	(10,516)	10,524	-	8
Net open position	1,999	5,558	7,557	(7,195)	(354)	8

FINANCIAL RISK MANAGEMENT (continued)

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

Sensitivity of foreign exchange risk

Foreign exchange (FX) risk is limited by amounts of open FX positions. For calculation of sensitivity to FX risk all exposures shall be converted into possible loss, i.e. open FX position is multiplied by possible FX rate change. The FX risk parameters for the Group (Bank) have been established in view of the maximum fluctuations of currency exchange rate in 2014 and prognosis that exchange rate fluctuations will have the same trends in 2015. The Group does not evaluate FX risk on open EUR position as LTL is pegged to EUR at a fixed rate (see Basis of preparation).

Currency	Annual reasonable shift, 2015	Annual reasonable shift, 2014
CHF	10%	2%
DKK	0.5%	0.5%
GBP	4%	4%
SEK	5%	5%
USD	7%	4%
Other currencies	4.5%	7%
CIS countries currencies	20%	7%

The following table presents Group (Bank) sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	At 31 December 2014		At 31 December 2013
	Group	*Bank*	*Group / Bank*
	Impact on profit or loss and equity	Impact on profit or loss and equity	Impact on profit or loss and equity
USD	38	38	80
GBP	18	18	0
CHF	1	1	1
DKK	5	5	5
SEK	25	25	19
Other currencies	59	13	61
CIS countries currencies	18	18	1
Total	**164**	**118**	**167**

The impact of presumable FX rate change on the Group's / Bank's profit for the year is at acceptable level. In 2014 for the Group and for the Bank it equals to LTL 164 thousand (2013: LTL 167 thousand) and LTL 118 thousand (2013: LTL 167 thousand) respectively.

FINANCIAL RISK MANAGEMENT (continued)

2.2. Interest rate risk

An interest rate risk is a risk to incur losses because of the mismatch of re-evaluation possibility between the Bank's and the Group's assets and liabilities.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank and the Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The risk management is regulated by the Procedures for Interest Rate Risk Management which establish methods of risk measurement and set up measures for risk management. These procedures are approved by the Board of the Bank and define that:

- the Bank observes the principle to avoid the speculation with future interest rates;
- the risk size is evaluated applying a pattern of interest rate gap (GAP);
- Planning and Financial Risk Department provides the information on regular basis to Risk Management Committee about compliance with relative gap limits.

FINANCIAL RISK MANAGEMENT (continued)

Analysis of assets and liabilities by the contractual repricing or maturity dates

The tables below summarize the Group's and the Bank's interest rate risks. Assets and liabilities shown at their carrying amounts categorized by the earlier of contractual repricing or maturity dates.
Details of the Group's interest rate risk as at 31 December 2014 are presented below:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
Assets							
Cash and cash equivalents	122,040	50,000	-	-	-	509,667	681,707
Due from other banks	967	7,698	1,042	3,029	4,169	2,656	19,561
Securities at fair value through profit or loss	1,208	893	498	2,431	128,834	46,021	179,885
Derivative financial instruments	-	-	-	-	-	24,505	24,505
Loans granted to customers, finance lease receivables	495,031	790,729	897,143	117,597	165,605	205,884	2,671,989
Investment securities							
- available-for-sale securities	-	-	-	-	73,599	2,769	76,368
- held-to-maturity securities	80,940	49,293	106,829	168,886	1,162,023	-	1,567,971
Intangible assets	-	-	-	-	-	11,482	11,482
Property, plant and equipment and investment property	-	-	-	-	-	108,379	108,379
Other assets	-	-	-	-	-	320,775	320,775
Total assets	700,186	898,613	1,005,512	291,943	1,534,230	1,232,138	5,662,622
Due to other banks and financial institutions	98,811	47,032	13,090	5,966	-	27,901	192,800
Due to customers	502,672	610,310	797,785	1,293,275	322,287	1,369,093	4,895,422
Subordinated loan	-	69,056	-	-	-	(2,433)	66,623
Liabilities related to insurance activities	788	297	257	875	66,649	-	68,866
Other liabilities	-	-	-	-	-	70,799	70,799
Shareholders' equity	-	-	-	-	-	368,112	368,112
Total liabilities and shareholders' equity	602,271	726,695	811,132	1,300,116	388,936	1,833,472	5,662,622
Interest rate sensitivity gap	97,915	171,918	194,380	(1,008,173)	1,145,294	(601,334)	-

Details of the Group's interest rate risk as at 31 December 2013 (restated) are presented below:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
Total assets	498,113	670,642	972,661	249,772	1,674,056	1,268,690	5,333,934
Total liabilities and shareholders' equity	633,785	676,017	837,323	1,394,435	377,159	1,415,215	5,333,934
Interest rate sensitivity gap	(135,672)	(5,375)	135,338	(1,144,663)	1,296,897	(146,525)	-

FINANCIAL RISK MANAGEMENT (continued)

Details of the Bank's interest rate risk as at 31 December 2014 are presented below:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
Assets							
Cash and cash equivalents	122,040	50,000	-	-	-	506,370	678,410
Due from other banks	967	7,698	1,042	3,029	2,786	2,656	18,178
Securities at fair value through profit or loss	-	100,000	-	-	93,205	385	193,590
Derivative financial instruments	-	-	-	-	-	22,960	22,960
Loans granted to customers, finance lease receivables	497,088	713,927	853,443	229,762	250,211	196,484	2,740,915
Investment securities							
- available-for-sale securities	-	-	-	-	73,599	1,823	75,422
- held-to-maturity securities	72,222	49,293	106,829	168,886	1,148,787	-	1,546,017
Investments in subsidiaries	-	-	-	-	-	102,501	102,501
Intangible assets	-	-	-	-	-	1,423	1,423
Property, plant and equipment and investment property	-	-	-	-	-	46,219	46,219
Other assets	-	-	-	-	-	133,739	133,739
Total assets	692,317	920,918	961,314	401,677	1,568,588	1,014,560	5,559,374
Due to other banks and financial institutions	119,297	47,037	13,090	5,966	-	28,611	214,001
Due to customers	502,672	610,310	797,785	1,293,275	322,287	1,370,484	4,896,813
Subordinated loan	-	69,056	-	-	-	(2,433)	66,623
Other liabilities	-	-	-	-	-	20,329	20,329
Shareholders' equity	-	-	-	-	-	361,608	361,608
Total liabilities and shareholders' equity	621,969	726,403	810,875	1,299,241	322,287	1,778,599	5,559,374
Interest rate sensitivity gap	70,348	194,515	150,439	(897,564)	1,246,301	(764,039)	-

Details of the Bank's interest rate risk as at 31 December 2013 are given below:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
Total assets	511,293	746,580	925,030	339,219	1,644,069	1,084,637	5,250,828
Total liabilities and shareholders' equity	633,238	675,772	837,096	1,394,540	320,092	1,390,090	5,250,828
Interest rate sensitivity gap	(121,945)	70,808	87,934	(1,055,321)	1,323,977	(305,453)	-

FINANCIAL RISK MANAGEMENT (continued)

Sensitivity of interest rate risk

The table below summarises interest rates sensitive assets and liabilities based on reprising dates based on which cash flow interest rate risk is estimated.

Group	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
31 December 2014							
Total interest rate sensitive assets	700,186	898,613	1,005,512	291,943	1,534,230	793,806	5,224,290
Total interest rate sensitive liabilities	602,271	726,695	811,132	1,300,116	388,936	1,387,288	5,216,438
Net interest sensitivity gap at 31 December 2014	97,915	171,918	194,380	(1,008,173)	1,145,294	(593,482)	7,852
31 December 2013 (restated)							
Total interest rate sensitive assets	498,113	670,642	972,661	249,772	1,674,056	840,900	4,906,144
Total interest rate sensitive liabilities	633,785	676,017	837,323	1,394,435	377,159	1,011,483	4,930,202
Net interest sensitivity gap at 31 December 2013	(135,672)	(5,375)	135,338	(1,144,663)	1,296,897	(170,583)	(24,058)

Assessing the sensitivity of the Group's profit and other comprehensive income towards the change of interest rates, it has been assumed that interest is to change by 1 percentage point.

The table below summarises the effect on the Group's profit and other comprehensive income of interest rate risk as at 31 December 2014 and 31 December 2013.

	31 December 2014		**31 December 2013**	
	Increase (decrease) in profit	Increase (decrease) in other comprehensive income	Increase (decrease) in profit	Increase (decrease) in other comprehensive income
Interest rate increase by 1p.p.	(1,900)	(3,620)	(7,687)	(10,921)
Interest rate decrease by 1p.p.	1,900	3,620	7,687	10,921

The shift of yield curve according to above mentioned parameters creates significant impact on Group’s total comprehensive income and makes LTL 1,900 thousand in 2014 (2013: LTL 7,687 thousand) higher/lower impact on profit and LTL 3,620 thousand in 2014 (2013: LTL 10,921 thousand) higher/lower impact on other comprehensive income.

FINANCIAL RISK MANAGEMENT (continued)

The table below summarises interest rates sensitive assets and liabilities based on reprising dates based on which cash flow interest rate risk is estimated.

Bank	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
31 December 2014							
Total interest rate sensitive assets	692,317	920,918	961,314	401,677	1,568,588	731,143	5,275,957
Total interest rate sensitive liabilities	621,969	726,403	810,875	1,299,241	322,287	1,382,449	5,163,224
Net interest sensitivity gap at 31 December 2014	70,348	194,515	150,439	(897,564)	1,246,301	(651,306)	112,733
31 December 2013							
Total interest rate sensitive assets	511,293	746,580	925,030	339,219	1,644,069	767,588	4,933,779
Total interest rate sensitive liabilities	633,238	675,772	837,096	1,394,540	320,092	1,036,281	4,897,019
Net interest sensitivity gap at 31 December 2013	(121,945)	70,808	87,934	(1,055,321)	1,323,977	(268,693)	36,760

Assessing the sensitivity of the Bank's profit and other comprehensive income towards the change of interest rates, it has been assumed that interest is to change by 1 percentage point.

The table below summarises the effect on the Bank's profit and other comprehensive income of interest rate risk, except for effects on derivative financial instruments, as at 31 December 2014 and 31 December 2013.

	31 December 2014		**31 December 2013**	
	Increase (decrease) in profit	Increase (decrease) in other comprehensive income	Increase (decrease) in profit	Increase (decrease) in other comprehensive income
Interest rate increase by 1p.p.	(2,169)	(3,620)	(6,349)	(10,921)
Interest rate decrease by 1p.p.	2,169	3,620	6,349	10,921

The shift of yield curve according to above mentioned parameters creates significant impact on Bank's total comprehensive income and makes LTL 2,169 thousand in 2014 (2013: LTL 6,349 thousand) higher/lower impact on profit and LTL 3,620 thousand in 2014 (2013: LTL 10,921 thousand) higher/lower impact on other comprehensive income.

FINANCIAL RISK MANAGEMENT (continued)

3. Liquidity risk

Liquidity risk means the risk that the Bank is unable to meet its financial obligations in time or that it will not manage to receive financial resources during a short time by borrowing or selling the assets.

3.1. Liquidity risk management process

The liquidity risk management depends on the Bank's ability to cover the cash shortage by borrowing from the market; and the liquidity of the market itself. While managing the liquidity risk the relatively small size of the Bank has both positive and negative features. On one hand, in the event of liquidity problems, the demand for total funds is rather small in terms of banking system; therefore, they are solved easily. On the other hand, in the event of liquidity problems the Bank's ability to borrow from the market may decrease significantly. Due to that fact the Bank possesses a significant Debt Securities Portfolio, which is highly liquid.

Liquidity risk management is regulated by the Procedures for Liquidity Risk Management approved by the Bank's Board. Liquidity risk is evaluated by analysing the dynamics of various liquidity ratios. A list of these ratios as well as recommended limits to their change are defined in the above-mentioned procedures. Decisions regarding liquidity management issues are made by the Bank's Risk Management Committee with reference to the information submitted by the Bank's Planning and Financial Risks Department or by the Bank's Board with reference to the information submitted by the Risk Management Committee. Current liquidity (up to 7 days) risk management is based on short-term cash flow analysis and projections. The Treasury Department is responsible for this.

The Group controls short-term and long-term liquidity risk through established ratios and limits. The required liquidity limit set by Bank of Lithuania is 30 per cent. For the purpose of managing liquidity risk, in addition to the liquidity ratio set by the Bank of Lithuania, which as at 31 December 2014 the Group's ratio was 55.68 (2013: 54.07) and the Bank's 55.51 (2013: 53.94), the Group uses the ratio of *mobile* assets to the total assets. According to the documentation of the liquidity risk management of the Bank, *the mobile* assets used in calculation of the above ratio represents funds held at banks and financial institutions with maturity of less than three months, cash, placements with Central Bank and liquid securities. As at 31 December 2014 the above Group's ratio was 42.17 per cent (2013: 37.84 per cent), and the Bank's – 42.89 per cent (2013: 38.44 per cent). It is targeted that this recommended ratio would be 20 per cent or more.

To follow the solvency status the Group and the Bank monitors availability of *mobile* funds needed to cover *mobile* liabilities with a maturity of less than 30 days. Based on the Group's liquidity management policy this ratio (i.e. *mobile* funds / *mobile* liabilities of less than 30 days) should not be lower than 100 per cent. As at 31 December 2014 the above ratio on the Group's and the Bank's level was 306.76 (2013: 314.82 per cent) per cent and 303.69 (2013: 309.54 per cent) per cent respectively. The Group and the Bank aim that the share of *mobile* liabilities with a maturity of less than 30 in the total liabilities would not exceed 20 per cent. As at 31 December 2014 *mobile* liabilities formed a share in the total liabilities on the Group's level equal to 14.70 per cent (2013: 12.80 per cent), on the Bank's level – 15.11 per cent (2013: 13.23 per cent).

The Group and the Bank also monitors liquidity gap ratios (calculated by internal definition as the difference between assets and liabilities in certain maturity bands divided by total liabilities). From the year 2013, the lowest recommended gap ratio in the Bank should not be less than -35 per cent. Recommended limit of ratio is not imposed for the Group. As at 31 December 2014 the Group's and the Bank's ratio was -32.03 per cent (2013: -37.48 per cent) and -28.54 per cent (2013: -30.64 per cent) respectively and complied with the set requirements.

FINANCIAL RISK MANAGEMENT (continued)

3.2. Structure of assets and liabilities by maturity

The structure of the Group's assets and liabilities by maturity as at 31 December 2014 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Assets									
Cash and cash equivalents	509,660	122,043	50,004	-	-	-	-	-	681,707
Due from other banks	-	967	7,750	1,043	4,318	94	2,786	2,603	19,561
Securities at fair value through profit or loss	-	1,208	893	498	2,431	49,582	79,252	46,021	179,885
Derivative financial instruments	-	2,341	1,756	2,546	4,253	8,250	5,353	6	24,505
Loans granted to customers, finance lease receivables	-	81,527	209,773	216,244	383,520	786,759	868,653	125,513	2,671,989
Investment securities									
- available-for-sale securities	-	-	-	-	-	9,907	63,692	2,769	76,368
- held-to-maturity securities	-	80,940	49,293	106,829	168,886	336,092	825,931	-	1,567,971
Intangible assets	-	-	-	-	-	-	-	11,482	11,482
Property, plant and equipment and investment property	-	-	-	-	-	-	-	108,379	108,379
Other assets	369	2,860	6,347	2,676	13,811	70,213	8,012	216,487	320,775
Total assets	510,029	291,886	325,816	329,836	577,219	1,260,897	1,853,679	513,260	5,662,622
Due to other banks and financial institutions	7,152	4,902	30,641	20,960	55,130	52,556	21,459	-	192,800
Due to customers	1,288,713	513,910	621,854	810,725	1,319,182	290,477	48,307	2,254	4,895,422
Subordinated loan	-	-	394	-	-	-	66,229	-	66,623
Liabilities related to insurance activities	-	788	297	257	875	3,727	62,417	505	68,866
Other liabilities	3,708	20,121	6,357	6,259	1,570	9,959	102	22,723	70,799
Shareholders' equity	-	-	-	-	-	-	-	368,112	368,112
Total liabilities and shareholders' equity	1,299,573	539,721	659,543	838,201	1,376,757	356,719	198,514	393,594	5,662,622
Net liquidity gap	(789,544)	(247,835)	(333,727)	(508,365)	(799,538)	904,178	1,655,165	119,666	-

The structure of the Group's assets and liabilities by remaining maturity as at 31 December 2013 (restated) was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	480,611	83,045	188,567	286,003	464,586	1,191,210	2,057,228	582,684	5,333,934
Total liabilities and shareholders' equity	923,056	509,322	584,294	856,121	1,450,927	427,373	220,551	362,290	5,333,934
Net liquidity gap	(442,445)	(426,277)	(395,728)	(570,118)	(986,340)	763,837	1,836,677	220,394	-

FINANCIAL RISK MANAGEMENT (continued)

The structure of the Bank's assets and liabilities by maturity as at 31 December 2014 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Assets									
Cash and cash equivalents	506,363	122,043	50,004	-	-	-	-	-	678,410
Due from other banks	-	967	7,750	1,043	3,029	-	2,786	2,603	18,178
Securities at fair value through profit or loss	-	-	100,000	-	-	40,415	52,790	385	193,590
Derivative financial instruments	-	2,307	1,683	2,410	4,041	7,547	4,966	6	22,960
Loans granted to customers, finance lease receivables	-	96,446	193,703	235,842	475,099	781,223	841,761	116,841	2,740,915
Investment securities									
- available-for-sale securities	-	-	-	-	-	9,907	63,692	1,823	75,422
- held-to-maturity securities	-	72,222	49,293	106,829	168,886	322,856	825,931	-	1,546,017
Investments in subsidiaries	-	-	-	-	-	-	-	102,501	102,501
Intangible assets	-	-	-	-	-	-	-	1,423	1,423
Property, plant and equipment and investment property	-	-	-	-	-	-	-	46,219	46,219
Other assets	106	1,512	3,459	357	352	212	305	127,436	133,739
Total assets	506,469	295,497	405,892	346,481	651,407	1,162,160	1,792,231	399,237	5,559,374
Due to other banks and financial institutions	28,348	4,902	30,646	20,960	55,130	52,556	21,459	-	214,001
Due to customers	1,290,104	513,910	621,854	810,725	1,319,182	290,477	48,307	2,254	4,896,813
Subordinated loan	-	-	394	-	-	-	66,229	-	66,623
Other liabilities	393	7,166	3,578	3,494	219	1,199	95	4,185	20,329
Shareholders' equity	-	-	-	-	-	-	-	361,608	361,608
Total liabilities and shareholders' equity	1,318,845	525,978	656,472	835,179	1,374,531	344,232	136,090	368,047	5,559,374
Net liquidity gap	(812,376)	(230,481)	(250,580)	(488,698)	(723,124)	817,928	1,656,141	31,190	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2013 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	471,044	97,466	295,435	302,855	528,541	1,122,109	1,933,737	499,641	5,250,828
Total liabilities and shareholders' equity	957,335	495,542	582,653	853,950	1,448,301	416,159	166,256	330,632	5,250,828
Net liquidity gap	(486,291)	(398,076)	(287,218)	(551,095)	(919,760)	705,950	1,767,481	169,009	-

Loans and receivables with undefined maturity consist of overdue exposures, which were not repaid at their contractual maturity.

FINANCIAL RISK MANAGEMENT (continued)

3.3. Non - derivative cash flows

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

Group

31 December 2014 Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Due to banks	-	11,945	30,640	76,369	64,709	9,987	193,650
Due to customers	-	1,794,717	622,925	2,143,368	334,951	10,550	4,906,511
Subordinated loan	-	-	1,294	3,867	20,546	85,608	111,315
Special and lending funds	-	8,629	-	-	-	-	8,629
Total liabilities (contractual maturity dates)	**-**	**1,815,291**	**654,859**	**2,223,604**	**420,206**	**106,145**	**5,220,105**

Group

31 December 2013 (restated) Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Due to banks	-	13,588	8,346	83,348	136,521	26,365	268,168
Due to customers	-	1,387,088	576,201	2,240,932	355,187	17,801	4,577,209
Subordinated loan	-	-	1,089	3,289	83,135	-	87,513
Special and lending funds	-	7,354	-	-	-	-	7,354
Total liabilities (contractual maturity dates)	**-**	**1,408,030**	**585,636**	**2,327,569**	**574,843**	**44,166**	**4,940,244**

Bank

31 December 2014 Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Due to banks	-	33,245	30,645	76,369	64,709	9,987	214,955
Due to customers	-	1,795,746	622,925	2,143,368	334,951	10,550	4,907,540
Subordinated loan	-	-	1,294	3,867	20,546	85,608	111,315
Special and lending funds	-	8,629	-	-	-	-	8,629
Total liabilities (contractual maturity dates)	**-**	**1,837,620**	**654,864**	**2,223,604**	**420,206**	**106,145**	**5,242,439**

Bank

31 December 2013 Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Due to banks	-	49,247	8,351	84,656	136,521	26,365	305,140
Due to customers	-	1,387,872	576,201	2,240,932	355,187	17,801	4,577,993
Subordinated loan	-	-	1,089	3,289	83,135	-	87,513
Special and lending funds	-	7,354	-	-	-	-	7,354
Total liabilities (contractual maturity dates)	**-**	**1,444,473**	**585,641**	**2,328,877**	**574,843**	**44,166**	**4,978,000**

FINANCIAL RISK MANAGEMENT (continued)

3.4. Remaining contractual maturity off - balance sheet items

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

Group **At 31 December 2014**	**Up to one month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
Loan commitments	342,651	-	-	-	-	-	342,651
Guarantees	100,829	-	-	-	-	-	100,829
Operating lease commitments	311	621	925	1,810	6,658	991	11,316
Other commitments	5,920	1,853	1,985	1,071	996	-	11,825
Total	449,711	2,474	2,910	2,881	7,654	991	466,621

Group **At 31 December 2013 (restated)**	**Up to one month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
Loan commitments	237,588	-	-	-	-	-	237,588
Guarantees	103,683	-	-	-	-	-	103,683
Operating lease commitments	269	489	609	1,029	4,724	10	7,130
Other commitments	16,826	6,085	5,733	4,310	430	199	33,583
Total	358,366	6,574	6,342	5,339	5,154	209	381,984

Bank **At 31 December 2014**	**Up to one month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1to 5 years**	**Over 5 years**	**Total**
Loan commitments	357,284	-	-	-	-	-	357,284
Guarantees	100,886	-	-	-	-	-	100,886
Operating lease commitments	364	726	1,088	2,111	8,380	771	13,440
Other commitments	4,973	-	23	-	-	-	4,996
Total	463,507	726	1,111	2,111	8,380	771	476,606

Bank **At 31 December 2013**	**Up to one month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1to 5 years**	**Over 5 years**	**Total**
Loan commitments	242,331	-	-	-	-	-	242,331
Guarantees	104,473	-	-	-	-	-	104,473
Operating lease commitments	337	625	811	1,432	6,548	10	9,763
Other commitments	12,993	3,506	166	4,185	-	-	20,850
Total	360,134	4,131	977	5,617	6,548	10	377,417

FINANCIAL RISK MANAGEMENT (continued)

4. Fair value of financial assets and liabilities

4.1. Financial assets and liabilities not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's and Group's balance sheets at their fair value. The valuation methods for the assets and liabilities are summarized below.

a) Loans and advances to banks

The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The fair value of fixed interest bearing deposits is estimated using valuation technique attributable to Level 3 in the fair value hierarchy, based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

b) Loans and advances to customers and finance lease receivables

Loans and advances and finance lease receivables are net of charges for impairment. The fair value of loans and advances to customers and finance lease receivables is estimated using valuation technique attributable to Level 3 in the fair value hierarchy. The estimated fair value of loans, advances and finance lease receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates (average interest rates on outstanding loans published by the Bank of Lithuania) to determine fair value.

c) Investment securities

The fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations – i.e. it is estimated using valuation technique attributable to Level 1 in the fair value hierarchy. The estimated fair value of unlisted securities is estimated using valuation technique attributable to Level 3 in the fair value hierarchy, it represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. Listed securities priced on market quotations represent 99% of the investment securities held-to-maturity portfolio of the Group.

d) Deposits from banks and due to customers and special lending funds

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The fair value of fixed interest-bearing deposits and special and lending funds not quoted in an active market is estimated using valuation technique attributable to Level 3 in the fair value hierarchy based on discounted cash flows using interest rates for new debts with similar remaining maturity. Interest rates for new deposits of Šiaulių bankas are used for calculation purposes as discount rates.

e) Other financial assets and other financial liabilities

The estimated fair value of other assets and other liabilities is similar to the carrying value due to short maturities of these assets and liabilities.

FINANCIAL RISK MANAGEMENT (continued)

Bank

	As of 31 December 2014		As of 31 December 2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets				
Loans	**2,730,323**	**2,766,230**	**2,723,662**	**2,733,365**
Loans to individuals:	**194,162**	**200,983**	**195,246**	**195,173**
- Consumer loans	24,944	26,550	28,924	30,166
- Mortgages	97,959	101,828	101,242	100,213
- Credit cards	3,131	3,105	3,242	3,312
- Other	68,128	69,500	61,838	61,482
Loans to business customers	**2,333,826**	**2,363,467**	**2,312,682**	**2,323,081**
- Central and other authorities	365,626	362,436	310,228	310,312
- Large corporates	159,533	162,165	195,113	196,896
- SME	1,808,667	1,838,866	1,807,341	1,815,873
Loans and advances to financial institutions	**202,335**	**201,780**	**215,734**	**215,111**
Finance lease receivables	**10,592**	**10,708**	**20,779**	**20,779**
Investment securities held-to-maturity	**1,546,017**	**1,643,231**	**1,300,833**	**1,331,076**
- Local government bonds	1,077,458	1,156,136	995,595	1,023,310
- Foreign government bonds	82,210	92,208	45,019	47,657
- Foreign corporate bonds	386,349	394,887	260,219	260,109
Other financial assets	**465**	**465**	**423**	**423**
Liabilities				
Due to other banks and financial institutions	**214,001**	**214,115**	**301,206**	**304,429**
Due to customers	**4,888,184**	**4,897,267**	**4,530,021**	**4,535,578**
Due to individuals	4,057,027	4,065,834	3,865,315	3,870,527
Due to private companies	636,199	636,461	482,702	482,993
Other	194,958	194,972	182,004	182,058
Special and lending funds	**8,629**	**8,629**	**7,354**	**7,354**

FINANCIAL RISK MANAGEMENT (continued)

Group

	As of 31 December 2014		As of 31 December 2013 (restated)	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans	**2,486,676**	**2,529,216**	**2,513,584**	**2,524,512**
Loans to individuals:	**356,033**	**366,548**	**365,145**	**364,883**
- Consumer loans	183,305	188,591	188,259	189,288
- Mortgages	97,959	101,828	101,242	100,213
- Credit cards	6,631	6,619	13,709	13,796
- Other	68,138	69,510	61,935	61,586
Loans to business customers	**2,130,610**	**2,162,635**	**2,148,439**	**2,159,629**
- Central and other authorities	365,640	362,450	310,240	310,324
- Large corporates	159,533	162,165	195,113	196,896
- SME	1,605,437	1,638,020	1,643,086	1,652,409
Loans and advances to financial institutions	**33**	**33**	**-**	**-**
Finance lease receivables	**185,313**	**177,198**	**218,109**	**199,067**
Investment securities held-to-maturity	**1,567,971**	**1,665,200**	**1,309,375**	**1,339,696**
- Local government bonds	1,077,458	1,156,136	995,595	1,023,310
- Local corporate bonds	20,928	20,943	8,542	8,620
- Foreign government bonds	82,210	92,208	45,019	47,657
- Foreign corporate bonds	387,375	395,913	260,219	260,109
Other financial assets	**2,304**	**2,304**	**10,465**	**10,465**
Liabilities				
Due to other banks and financial institutions	**192,800**	**192,914**	**264,234**	**267,463**
Due to customers	**4,886,793**	**4,895,876**	**4,529,237**	**4,534,794**
Due to individuals	4,057,027	4,065,834	3,865,315	3,870,527
Due to private companies	634,808	635,070	481,918	482,209
Due to other enterprises	194,958	194,972	182,004	182,058
Special and lending funds	**8,629**	**8,629**	**7,354**	**7,354**

FINANCIAL RISK MANAGEMENT (continued)

4.2. Financial assets and liabilities measured at fair value

a) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, NASDAQ Stock Exchange, London Stock Exchange, Frankfurt Stock Exchange) or public price quotations (for example, for Lithuanian government bonds denominated in Litas, average price quotations for these securities from the most active banks that participate in the primary placement auctions of the Lithuanian Government securities are used).

• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The Group does not have financial assets measured at fair value calculated based on Level 2 inputs.

• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes Group's investments into unlisted equity securities. Fair value for financial assets measured at fair value according to level 3 principles is established based on expected discounted net future cash flows from activities of these companies. Discount rate is based on the cost of financing used for investments in these companies.

b) Measurement of financial assets and liabilities according to the fair value hierarchy

	2014		2013	
	Group	**Bank**	**Group (restated)**	**Bank**
LEVEL I				
Financial assets at fair value through profit or loss				
Listed equity securities	385	385	397	397
Units of investment funds	45,636	-	40,856	105
Government bonds	86,187	61,585	40,165	18,884
Corporate bonds	47,677	31,620	63,679	51,262
Available for sale financial assets				
Bonds of the Government of the Republic of Lithuania	12,961	12,961	31,574	31,574
Bonds of foreign countries governments	8,897	8,897	30,332	30,332
Bonds of foreign countries corporates	51,741	51,741	122,757	122,757
Investment fund units	73,599	73,599	378	378
Total Level I financial assets	**327,083**	**240,441**	**330,138**	**255,689**
LEVEL III				
Financial assets at fair value through profit or loss				
Derivative financial instruments	24,505	22,960	22,347	21,008
Available for sale financial assets				
Unlisted equity securities	2,337	1,391	3,162	1,391
Total Level III financial assets	**26,842**	**24,351**	**25,509**	**22,399**
Financial liabilities at fair value through profit or loss				
Subordinated loans	66,623	66,623	68,855	68,855
Total Level III financial liabilities	**66,623**	**66,623**	**68,855**	**68,855**

There were no transfers between fair value hierarchy levels during 2014 and 2013.

FINANCIAL RISK MANAGEMENT (continued)

The following table presents the changes in Level III instruments during 2014 and 2013:

The Group	**Unlisted securities at fair value through profit or loss**		**Unlisted equities available for sale**		**Derivatives**		**Financial liabilities at fair value through profit or loss**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Value as of 1 Jan	-	3	3,162	3,617	22,347	13,690	68,855	-
Additions	-	-	86	217	11,930	13,671	-	69,056
Disposals	-	(3)	(38)	(90)	-	-	-	-
Changes due to interest accrued/paid	-	-	-	-	-	-	(1,091)	335
Revaluations through profit or loss	-	-	(873)	(582)	(9,772)	(5,014)	(1,141)	(536)
Value as of 31 Dec	**-**	**-**	**2,337**	**3,162**	**24,505**	**22,347**	**66,623**	**68,855**

The Bank	**Unlisted securities at fair value through profit or loss**		**Unlisted equities available for sale**		**Derivatives**		**Financial liabilities at fair value through profit or loss**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Value as of 1 Jan	123,000	3	1,391	1,391	21,008	13,690	68,855	-
Additions	-	153,069	-	-	12,030	11,800	-	69,056
Disposals	(23,000)	(30,003)	-	-	-	-	-	-
Changes due to interest accrued/paid	-	(69)	-	-	-	-	(1,091)	335
Revaluations through profit or loss	-	-	-	-	(10,078)	(4,482)	(1,141)	(536)
Value as of 31 Dec	**100,000**	**123,000**	**1,391**	**1,391**	**22,960**	**21,008**	**66,623**	**68,855**

	2014		**2013**	
	Group	**Bank**	**Group**	**Bank**
Total result from revaluation of Level III instruments included in the income statement	(9,504)	(8,937)	(5,060)	(3,946)

Details on the main models used in valuation of Level III instruments:

Derivatives (see also Note 12): The Bank uses Black-Sholes model to price options. Certain inputs are derived from the market (e.g. historical volatility of EURIBOR and VILIBOR rates as well as EURIBOR forward curves), while forward curves for VILIBOR are derived from EURIBOR forward curves with an adjustment of historical spread between EURIBOR and VILIBOR. The historical spread between EURIBOR and VILIBOR used in calculations for the year 2013 was 0.4 p.p. For the year-end 2014, as it was certain that from 2015 Lithuania adopts euro as local currency, unadjusted EURIBOR curves were used for LTL denominated derivatives.

The shift of yield curve up by 1p.p. would cause decrease in value of derivative financial instruments by LTL 13,596 thousand for the Group and LTL 12,731 thousand for the Bank (2013: LTL 10,474 thousand for the Group and LTL 9,897 thousand for the Bank), the decrease would be accounted in profit (loss). The shift of yield curve down by 1 p.p. would cause increase in value of derivative financial instruments by LTL 19,481 thousand for the Group and LTL 18,457 thousand for the Bank (2013: LTL 14,727 thousand for the Group and LTL 13,977 thousand for the Bank), the increase would be accounted in profit (loss).

The valuation is performed monthly by the employees of the Group, the data for some of the inputs such as forward curves is obtained directly from the publicly available sources (Bloomberg), data for some inputs such as forward curves for VILIBOR calculated from the data obtained from publicly available sources (Bloomberg).

Financial liabilities at fair value through profit or loss (see also Note 30): The financial liability at fair value through profit or loss was priced using Black-Scholes model at initial recognition, and fair valued using this model at each balance sheet date. Various inputs to the model were used such as risk-free rate (market yield of Lithuanian government bonds with similar maturity), current market price and historical volatility of the market price of shares of the Bank for the period equal to number of days until the conversion option can be carried out, projected book value per share at the date of expected maturity (in book value per share projections, data of budgeted activity results and planned capital increases were used). Sensitivity of the valuation model to changes in various inputs is presented in the table below:

FINANCIAL RISK MANAGEMENT (continued)

Underlying factor	**Change in factor**	**Impact on fair value of the liability**
Risk-free rate	Increase by 50 bps	Increase by LTL 205 thousand
	Decrease by 50 bps	Decrease by LTL 196 thousand
Current price of shares	Increase by 10%	Increase by LTL 1,814 thousand
	Decrease by 10%	Decrease by LTL 1,348 thousand
Projected BV* per share	Increase by 10%	Decrease by LTL 1,244 thousand
	Decrease by 10%	Increase by LTL 2,045 thousand

**book value*

The valuation is performed quarterly by the employees of the Group. The data for the inputs such as risk-free rate, market price is obtained from the publicly available sources (Bank of Lithuania, Bloomberg, stock exchanges), data for some inputs such as market volatility calculated from the data obtained from publicly available sources (Bloomberg, stock exchanges), and data of some inputs used to calculate projected book value per share is obtained from publicly unavailable internal documents of the Group.

Unlisted equity securities. Most commonly used fair value measures in the Group are: valuations from external independent certified appraisers or assessment of discounted cash flows from the security carried out by employees of the Group. The principles for the assessment of fair value of unlisted equity securities are stipulated in the Procedure of Investment in Securities.

4.3. Offsetting financial assets and financial liabilities

As of 31 December 2014 and 31 December 2013, the Bank had no offsettable assets or liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

4.4. Classes of financial instruments

A table below provides reconciliation of items of financial assets and liabilities as presented in Statement of Financial Position to classes of financial instruments:

	31 December 2014		31 December 2013	
	Group	**Bank**	**Group (restated)**	**Bank**
FINANCIAL ASSETS				
Financial assets mandatorily measured at fair value through profit or loss:				
Trading securities	129,033	193,590	99,629	193,648
Securities at fair value through profit or loss, designated as such upon initial recognition	50,852	-	45,468	-
Derivative financial instruments	24,505	22,960	22,347	21,008
Financial assets measured at fair value through other comprehensive income:				
Investment securities available-for-sale	76,368	75,422	188,203	186,432
Financial assets measured at amortized cost:				
Cash and cash equivalents	681,707	678,410	490,435	480,999
Due from other banks	19,561	18,178	8,528	5,995
Loans to customers	2,486,676	2,730,323	2,513,584	2,723,662
Finance lease receivables	185,313	10,592	218,109	20,779
Investment securities held-to-maturity	1,567,971	1,546,017	1,309,375	1,300,833
Other financial assets	2,304	465	10,465	423
Total financial assets	**5,224,290**	**5,275,957**	**4,906,143**	**4,933,779**
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss, designated as such upon initial recognition:				
Subordinated loan	66,623	66,623	68,855	68,855
Financial liabilities measured at amortised cost:				
Due to banks and financial institutions	192,800	214,001	264,234	301,206
Due to customers	4,886,793	4,888,184	4,529,237	4,530,021
Special and lending funds	8,629	8,629	7,354	7,354
Other financial liabilities	6,295	-	10,657	-
Total financial liabilities	**5,161,140**	**5,177,437**	**4,880,337**	**4,907,436**

FINANCIAL RISK MANAGEMENT (continued)

5. The risk inherent in insurance activities

The Bank's subsidiary Bonum Publicum (the company) is engaged in life insurance business.

Insurance risk

The insurance risk occurs from the uncertainty in estimation of the probability and timing of the insurance events used for the calculation of the insurance premium. This risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

The company issues the contracts with mortality, morbidity, survival, casualty risks.

The company manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits.

The company manages acceptable insurance risk by valuating the health of the assured person, habits of living, and the history of the health of his family. The company uses a system of several levels of risk to ensure that the payable premium would conform to the state of health of the assured person.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The company follows the principles of conservatism and prudence to settle the price for insurance risk therefore the increase in loss rate of any insurance risk would not impact the result of the Group significantly.

Mortality, survival, casualty and morbidity risks
Mortality, morbidity, survival, casualty risks occur because the frequency or severity of claims and benefits are greater than estimated, that will cause that future premiums will not be sufficient to cover the future claims in case of death, illnesses or trauma. For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The survival insurance risk appears due to the longer life time than planned. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

The most significant factor that could increase the casualty insurance risk is the departure from occupational safety, use of obsolete equipment, increasing rate of accidents.

As the company started its operations recently and it does not have enough statistics on mortality, morbidity and casualty, for valuation of the mortality and casualty insurance risks the company uses statistics on mortality and casualty of the population of Lithuania. For valuation of the morbidity insurance risk the company uses morbidity tables of the reinsurance company that has a broad experience of similar activities.

If the statistics on mortality, morbidity changes significantly, the company would review the insurance rates for new clients.

FINANCIAL RISK MANAGEMENT (continued)

Loss rate according to insurance groups:

	2014 (%)	2013 (%)
Non–life insurance		
Casualty insurance	183.6	58
Life insurance		
Unit-linked insurance	13.1	10.3
Term life insurance	(3,459.1)	551.1
Endowment insurance	25	13.7
Scholarship insurance	71.9	54.1
Pension insurance	13.9	6.7
Overall loss rate	15.9	12.3

Loss ratios by insurance groups were calculated by dividing total claims costs per insurance group by gross earned premiums.

Claims lag risk
Claims lag risk occurs when the event is incurred but not yet reported to the Company. If the part of incurred but not reported claims would increase or decrease by 10% during the reporting year, the profit of the Company would decrease or increase by LTL 8 thousand (2013 – LTL 22 thousand).

Cancellation risk
Cancellation risk is a risk, when the insurance contract is terminated on the initiative of the policyholder earlier than the contract expires. The surrender value, paid to the policyholder, in case of the contract cancellation, consisted of share from the total mathematical technical provision (2014: 7.3%, 2013: 8.5%), except unearned premium technical provision for the end of the reporting year. Due to the fact that technical provision for every contract is not less than the surrender amount in case of the contract cancellation, therefore, increased number of cancellations shall not affect the results of the Company. But the increase of the cancellations of the contracts would decrease the future income of the Company.

The company manages such risk through the prevention of the cancellation, by notifying the policyholder of possible cancellation due payment delay of a periodical insurance premium, by proposing to change the terms of the contract according to the present situation.

Technical provisions inadequacy risk
Technical provisions inadequacy risk is a risk that calculated insurance technical provisions will be insufficient to reflect (cover) company‘s underwriting insurance liabilities. In order to reduce the technical provisions inadequacy risk the company periodically tests technical provisions adequacy and ensures compliance with set limits.

6. Operational risk

The Bank’s operational risk management objectives include as follows: proper identification and assessment of operational risk; implementation of effective internal controls, prevention of major events and losses; proper organisation and maintenance of internal control environment by regular reviews of internal control methods and learning lessons from past experience; concentration of financial and time resources to identification of key sources of operational risk and to its management across all lines of activities of the Bank; ensuring the enforcement of the compliance legislation.

In view of operational risk management system, the Bank’s activities can be grouped into the following categories: credit facilities, other financial services to customers, cash and other valuables, property, plant and equipment, categories not related to the provision of financial services to customers, and information security.

The Bank accumulates information about operational risk events. For this purpose the Bank has established a system with the description of its operation included in the Instruction for Registration of Operational Risk Events. Depending on the type and extent of activities, following types of operational risk events are distinguished: internal fraud; external fraud; labour relations and workplace safety; customers, products and business practice; property damage; business process disorders and system errors; execution, delivery and process management.

FINANCIAL RISK MANAGEMENT (continued)

Organisation and monitoring of internal control environment form an integral part of the Bank's operational risk management process. The Bank's internal control is a continuous process in day-to-day activities at the Bank, during which the Bank's personnel aim to ensure: effective operation of the Bank; prevention of the Bank from potential losses as a result of operational risk events; reliable, relevant and timely financial and other information used internally or for regulatory purpose, or by third parties; the Bank's compliance with the laws, regulatory legislation of the Bank of Lithuania and other legal acts, the Bank's strategy and internal policy.

The operational risk management and control system focuses on the identification of the most problematic places at the Bank in terms of the operational risk. The good functioning within the Bank's internal control system is the main factor mitigating the operational risk at the Bank.

The Bank pays due attention to the management of its information system. Management of information systems includes administrative and organisational internal control measures; hardware and software security measures; protection of information measures; assurance of reliability of information; prevention of unauthorised operations.

7. Stress tests

Besides the regular assessment of the risks and the capital requirement calculation, the Group also performs stress tests which are a part of Internal Capital Adequacy Assessment Process (ICAAP). During this process it is determined if the Bank's capital is sufficient to cover the possible losses which may occur because of the financial status deterioration. Stress testing for all of the risks is performed once a year in accordance with the requirements set by the Bank of Lithuania.

8. Capital management

The capital of the Group is calculated and allocated for the risk coverage following the Capital requirements regulation and directive – CRR/CRD IV. The Group's objectives when managing own funds are as follows:

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

Information regarding capital adequacy is submitted to the supervising authority quarterly in accordance with the CRR/CRD IV requirements.

Institutions shall at all times satisfy the following own funds requirements:

1) A Common Equity Tier 1 capital ratio of 4,5 %. The Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount.
2) A Tier 1 capital ratio of 6 %. The Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount.
3) A total capital ratio of 8 %. The total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount.

Additional capital requirement for the risks that are identified as material in the process of self-assessment, is estimated on a regular basis using stress tests and internal capital adequacy assessment.

The Group's own funds are divided into two tiers:

1) Tier 1 capital consists of the share capital, reserve capital (share premium), additional reserve capital, retained earnings of the previous financial year, other reserves and funds for general banking risk less the loss of the current financial year, the goodwill, the intangible assets and negative revaluation reserve of financial assets;
2) Tier 2 capital consists of 80 per cent of revaluation reserves of financial assets if they are positive and additional Tier 2 capital comprised of subordinated loans with a certain term to maturity that are compliant with the regulations of the CRR/CRD IV requirements.

The risk-weighted assets are measured under a standardised approach using risk weights classified according to the nature of each assets and counterpart, taking into account collaterals and guarantees eligible for risk mitigation.A similar treatment with some adjustments is adopted for the off-balance sheet exposures. Capital requirements for operational risk are calculated using the Basic Indicator Approach.

FINANCIAL RISK MANAGEMENT (continued)

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

	2014		2013	
	Group	**Bank**	**Group**	**Bank**
Common equity tier 1 capital eligible as CET1 Capital				
Paid up capital instruments	270,000	270,000	250,000	250,000
Share premium	12,719	12,719	32,719	32,719
Previous year's retained earnings	35,342	33,482	18,680	24,517
Current year loss	-	-	-	-
Other reserves	2,611	2,611	2,611	2,611
Funds for general banking risk	5,005	4,403	3,243	2,641
Negative financial assets revaluation reserve	(173)	(173)	(1,990)	(1,990)
(-) Goodwill	(9,503)	-	-	-
(-) Intangible assets	(1,979)	(1,423)	(1,178)	(887)
TIER 1 CAPITAL	**314,022**	**321,619**	**304,085**	**309,611**
Capital instruments and subordinated loans eligible as T2 Capital				
Subordinated loan capital	69,056	69,056	69,056	69,056
TIER 2 CAPITAL	**69,056**	**69,056**	**69,056**	**69,056**
Less Investments in other credit or financial institutions	-	-	-	(2,729)
OWN FUNDS	**383,078**	**390,675**	**373,141**	**375,938**
Own funds requirements for:				
Risk weighted exposure amount for credit risk under the Standardised Approach	2,811,912	2,827,556	3,066,176	2,882,700
Traded debt instruments	83,950	160,013	51,571	116,322
Equity	92,042	770	1,004	1,004
Foreign exchange	15,873	6,754	7,683	7,682
Operational risk under the Basic Indicator Approach	370,170	278,199	222,779	170,067
Other capital requirements (large positions in the trading book)	-	-	-	119,271
Total risk exposure amount	**3,373,947**	**3,273,292**	**3,349,213**	**3,297,046**
CET1 Capital ratio, (4.5%)	**9.31%**	**9.83%**	**9.08%**	**9.39%**
T1 Capital ratio, (6%)	**9.31%**	**9.83%**	**9.08%**	**9.39%**
Total capital ratio, (8%)	**11.35%**	**11.94%**	**11.14%**	**11.40%**

The profit of the current year is not included in Tier 1 capital until it is audited by independent auditors. If the profit for the year 2014 was included in Owns funds of the Group and the Bank as of 31 December 2014, it would cause the Total capital ratio to increase to 12.56% and 13.06%, respectively.

During the years ended 31 December 2014 and 31 December 2013, the Group and the Bank complied with prudential requirements.

CRITICAL ACCOUNTING ESTIMATES

Impairment losses on loans and finance lease receivables (except for consumer lending). The Bank and the Group review their loan and finance lease portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss for loans to business customers should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of an individual debtor. When making this estimate the Bank and the Group analyse financial information received from a client and client's performance in servicing its loans. In addition to this, the Bank and the Group take into account estimated value of pledged assets. The methodology and assumptions used (the credit rating of the client; the recoverability ratio applied; discounted market value of pledged assets) for assessment of client's ability to service debt and estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience. However due to inherent limitations of the methodology and the time lag between the loss event and its reflection in the information used in the analysis, the calculated impairment loss as at 31 December 2014 may be inadequate to reflect the losses of the loan portfolio. Taking into account the information mentioned above, the management considers that certain entities operating in real estate industry have increased credit risk because of uncertainties related to their activities. Some of these loans are impaired, while the others do not yet have the loss event occurred. In any case, the net exposure remaining in the balance sheet (after impairment recognised, if any is applicable, also taking into account the undiscounted value of real estate collateral pledged as well as fair value of financial assets that the entities possess) amount to LTL 4,580 thousand. For some of these exposures, management has calculated and allocated internally additional capital. Having applied the critical judgements described above, also having evaluated uncertainties related to the entities' activities, management expects to recover the net exposures listed above.

Impairment losses on consumer financing loans
The Group review their consumer financing portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss for loans should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a homogenous group of clients. The estimate is based on the analysis of the historical information for each homogenous group. The recovery rate for each group is determined and impairment provision is calculated based on the recovery rate. The assumptions used (the time period to calculate the recovery rate; application of discount rate; and other) are reviewed regularly (at least once a year) to reduce any difference between the loss estimates and actual loss experience. However due to inherent limitations of methodology and assumptions used, the calculated impairment loss as at 31 December 2014 may be inadequate to reflect the losses of the loan portfolio. The decrease in recovery rates used in calculations of the impairment of consumer financing loans as of 31 December 2014 by 5 percentage points would result in additional impairment expense of LTL 1,208 thousand.

Impairment losses on investments in subsidiaries. The Bank tests investments in its subsidiaries for impairment when impairment indicators are identified. The Bank establishes recoverable amount of investments in subsidiary companies based on discounted future estimated net cash flows to be earned by a subsidiary. Future net cash flows to be earned by investment management and real estate development subsidiaries are based on estimated inflow from sales of financial and other assets held by these subsidiaries less estimated cash outflow related to management and development costs. Future net cash flows from subsidiary involved in leasing operations are estimated based on future expected interest income to be earned on lease portfolio less cash outflows related to financing activities and administration costs. Discount rates are based on current cost of capital used for investments in these subsidiaries. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing.

Inventories. Net realizable value of apartments held for sale and property for development is based either on current estimated sales price of an asset or on expected discounted future cash flows from future development and realization of an asset based on the Group's management plans with respect to a certain asset. Inputs in estimating sales price and future cash flows from development of an asset are based on current market prices. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing.

Impairment losses on receivables. The Group test receivables for impairment when loss events (delays in payments or significant financial difficulties or a debtor) are identified. Recoverable amount of receivables is established individually based on discounted expected future payments to be received. The management applies judgement in estimating timing, amounts and probabilities of future cash flows to be received from debtors.

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group fails to keep these investments to maturity other than for certain specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost.

CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Fair value of derivatives and subordinated loan. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select valuation methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The sensitivity of the value of above-mentioned financial instruments to changes in underlying factors is presented in Financial Risk Management section 4.2. "Financial assets and liabilities measured at fair value".

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

The deferred tax assets recognised at 31 December 2014 have been based on future profitability assumptions of the Bank over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

Finance leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

SEGMENT INFORMATION

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2014 and in the Statement of comprehensive income for the year then ended is presented in the table below. Indicators of subsidiaries held for sale (see Note 20 for details) are included in the column "Eliminations".

Continuing operations	Šiauliai region	Vilnius region	Klaipėda region	Head-quarters, including Kaunas	Leasing	Invest-ment mana-gement	Real estate develop-ment and other	Elimi-nations	Total Group
Internal	2,244	15,162	5,650	(3,385)	(15,221)	338	(2,604)	(2,184)	-
External	13,052	14,581	7,679	58,996	42,778	296	4,601	-	141,983
Net interest income	15,296	29,743	13,329	55,611	27,557	634	1,997	(2,184)	141,983
Internal	2,459	15,549	5,650	(3,251)	(15,560)	338	(2,617)	(2,568)	-
External	19,773	21,423	13,905	58,322	41,702	296	4,417	-	159,838
Net interest, fee and commissions income	**22,232**	**36,972**	**19,555**	**55,071**	**26,142**	**634**	**1,800**	**(2,568)**	**159,838**
Internal	-	-	-	(1,836)	(402)	(24)	(99)	2,361	-
External	(5,771)	(6,369)	(6,002)	(44,127)	(11,642)	(526)	(49,147)	-	(123,584)
Operating expenses	**(5,771)**	**(6,369)**	**(6,002)**	**(45,963)**	**(12,044)**	**(550)**	**(49,246)**	**2,361**	**(123,584)**
Amortisation charges	-	(2)	(1)	(397)	(64)	(4)	(73)	-	(541)
Depreciation charges	(202)	(347)	(312)	(2,665)	(564)	(17)	(771)	-	(4,878)
Internal	-	-	-	(27,386)	-	(5,433)	-	32,819	-
External	(33,216)	(8,539)	(9,211)	(6,387)	(12,092)	(1,323)	(926)	-	(71,694)
Impairment expenses	**(33,216)**	**(8,539)**	**(9,211)**	**(33,773)**	**(12,092)**	**(6,756)**	**(926)**	**32,819**	**(71,694)**
Internal	240	103	-	21,272	(1)	262	349	(22,225)	-
External	1,019	7,248	1,699	31,247	1,414	5	52,558	-	95,190
Net other income	**1,259**	**7,351**	**1,699**	**52,519**	**1,413**	**267**	**52,907**	**(22,225)**	**95,190**
Profit (loss) from continuing operations before tax	**(15,698)**	**29,066**	**5,728**	**24,792**	**2,791**	**(6,426)**	**3,691**	**10,387**	**54,331**
Profit (loss) from discontinued operations	-	-	-	(1,010)	-	-	-	(5,725)	(6,735)
Income tax	-	-	-	(6,265)	(564)	-	(112)	-	(6,941)
Profit (loss) per segment after tax	**(15,698)**	**29,066**	**5,728**	**17,517**	**2,227**	**(6,426)**	**3,579**	**4,662**	**40,655**
Non-controlling interest	-	-	-	-	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	(15,698)	29,066	5,728	17,517	2,227	(6,426)	3,579	4,662	40,655
Total segment assets	1,082,064	1,420,162	1,076,066	1,981,082	390,296	24,588	349,194	(660,830)	5,662,622
Total segment liabilities	1,097,762	1,391,096	1,070,338	1,638,570	348,374	21,674	283,182	(556,486)	5,294,510
Net segment assets (shareholders' equity)	(15,698)	29,066	5,728	342,512	41,922	2,914	66,012	(104,344)	368,112

SEGMENT INFORMATION (CONTINUED)

A summary of major indicators for the main business segments of the Group (restated) included in the Statement of financial position as at 31 December 2013 and in the statement of comprehensive income for the year then ended is presented below:

	Šiauliai region	Vilnius region	Klaipėda region	Head-quarters, including Kaunas	Leasing	Invest-ment mana-gement	Real estate develop-ment and other	Elimi-nations	Total Group
Continuing operations									
Internal	5,033	8,308	(273)	5,866	(14,604)	(84)	(3,314)	(932)	-
External	6,549	3,533	7,781	46,242	40,969	166	4,283	-	109,523
Net interest income	11,582	11,841	7,508	52,108	26,365	82	969	(932)	109,523
Internal	5,274	8,311	(273)	6,098	(14,859)	83	(3,177)	(1,457)	-
External	12,070	9,598	12,213	46,308	39,583	172	4,090	-	124,034
Net interest, fee and commissions income	**17,344**	**17,909**	**11,940**	**52,406**	**24,724**	**255**	**913**	**(1,457)**	**124,034**
Internal	-	-	-	(1,609)	(206)	(16)	(61)	1,892	-
External	(5,861)	(5,866)	(5,764)	(42,251)	(10,133)	(492)	(48,650)	-	(119,017)
Operating expenses	**(5,861)**	**(5,866)**	**(5,764)**	**(43,860)**	**(10,339)**	**(508)**	**(48,711)**	**1,892**	**(119,017)**
Amortisation charges	-	(2)	(1)	(311)	(26)	-	(95)	-	(435)
Depreciation charges	(272)	(331)	(389)	(2,758)	(850)	(14)	(302)	-	(4,916)
Internal	(1,492)	-	-	(3,582)	-	(2,820)	2,820	7,894	2,820
External	(31,883)	(4,653)	(1,916)	(5,032)	(3,719)	(628)	(3,771)	-	(51,602)
Impairment expenses	**(33,375)**	**(4,653)**	**(1,916)**	**(8,614)**	**(3,719)**	**(3,448)**	**(951)**	**7,894**	**(48,782)**
Internal	-	-	-	2,701	-	33	316	(3,050)	-
External	3,779	2,935	1,421	16,138	(8)	144	51,980	-	76,389
Net other income	**3,779**	**2,935**	**1,421**	**18,839**	**(8)**	**177**	**52,296**	**(3,050)**	**76,389**
Profit (loss) from continuing operations before tax	**(18,385)**	**9,992**	**5,291**	**15,702**	**9,782**	**(3,538)**	**3,150**	**5,279**	**27,273**
Profit (loss) from discontinued operations	-	-	-	-	-	-	-	(4,944)	(4,944)
Income tax	-	-	-	(1,873)	(1,691)	-	(248)	-	(3,812)
Profit (loss) per segment after tax	**(18,385)**	**9,992**	**5,291**	**13,829**	**8,091**	**(3,538)**	**2,902**	**335**	**18,517**
Non-controlling interest	-	-	-	-	-	-	93	-	93
Profit (loss) for the year attributable to the owners of the Bank	(18,385)	9,992	5,291	13,829	8,091	(3,538)	120	335	18,424
Total segment assets	1,045,262	1,290,844	780,258	2,134,464	425,583	22,888	284,296	(649,661)	5,333,934
Total segment liabilities	1,063,647	1,280,852	774,967	1,810,137	384,388	20,548	222,627	(547,419)	5,009,747
Net segment assets (shareholders' equity)	(18,385)	9,992	5,291	324,327	41,195	2,340	61,669	(102,242)	324,187

Distribution of the Group's assets and revenue according to geographical segmentation

All Bank's and Group's non-current assets other than financial instruments are located in Lithuania. No material revenue is earned by the Group in foreign countries.

NOTE 1 NET INTEREST INCOME

	2014		2013	
	Group	**Bank**	**Group (restated)**	**Bank**
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	6,500	13,045	1,938	8,532
on loans to customers	156,712	125,422	144,709	117,298
on debt securities	49,765	53,663	44,155	49,295
- held to maturity	*42,183*	*40,290*	*34,229*	*34,031*
- available for sale	*3,855*	*3,855*	*6,965*	*6,965*
- at fair value through profit or loss	*3,727*	*9,518*	*2,961*	*8,299*
on finance leases	9,885	2,769	13,288	2,540
Total interest income	**222,862**	**194,899**	**204,090**	**177,665**
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(9,330)	(9,371)	(10,519)	(10,572)
on customer deposits and other repayable funds	(50,714)	(50,714)	(65,330)	(65,336)
compulsory insurance of deposits	(20,835)	(20,835)	(18,596)	(18,596)
on debt securities issued	-	-	(122)	(122)
Total interest expense	**(80,879)**	**(80,920)**	**(94,567)**	**(94,626)**
Net interest income	**141,983**	**113,979**	**109,523**	**83,039**

NOTE 2 NET FEE AND COMMISSION INCOME

	2014		2013	
	Group	**Bank**	**Group (restated)**	**Bank**
Fee and commission income:				
for money transfer operations	17,675	17,895	15,453	15,658
for payment card services	3,999	3,988	2,949	2,947
for base currency exchange	5,563	5,569	3,338	3,343
for operations with securities	432	801	338	532
other fee and commission income	4,875	4,149	4,817	4,337
Total fee and commission income	**32,544**	**32,402**	**26,895**	**26,817**
Fee and commission expense:				
for payment card services	(7,534)	(7,534)	(7,244)	(7,244)
for money transfer operations	(5,533)	(4,844)	(3,490)	(2,863)
for operations with securities	(217)	(160)	(143)	(143)
for base currency exchange	(1)	(1)	(5)	(5)
other fee and commission expenses	(1,404)	(12)	(1,502)	(2)
Total fee and commission expense	**(14,689)**	**(12,551)**	**(12,384)**	**(10,257)**
Net fee and commission income	**17,855**	**19,851**	**14,511**	**16,560**

NOTE 3 NET GAIN (LOSS) FROM OPERATIONS WITH SECURITIES

	2014		2013	
	Group	Bank	Group (restated)	Bank
Securities at fair value through profit or loss				
Realised loss on equity securities	(122)	(56)	(134)	(70)
Unrealised gain on equity securities	1,853	76	1,423	83
Realised gain on debt securities	2,490	2,455	6,417	6,410
Unrealised gain (loss) on debt securities	2,909	2,579	(2,028)	(2,923)
Net gain on securities at fair value through profit or loss	**7,130**	**5,054**	**5,678**	**3,500**
Realised gain on available-for-sale equities	13	14	-	-
Realised gain on available-for-sale debt securities	4,015	4,015	3,117	3,117
Dividend and other income from equity securities at fair value through profit or loss	24	24	17	17
Dividend and other income from available-for-sale equity securities	293	227	50	50
Total	**11,475**	**9,334**	**8,862**	**6,684**

NOTE 4 EXPENSES RELATED TO OTHER ACTIVITIES OF GROUP COMPANIES

	2014		2013	
	Group	Bank	Group (restated)	Bank
Expenses related to insurance activities:	(18,294)	-	(13,558)	-
changes in technical provisions	*(8,970)*	-	*(5,850)*	-
insurance benefits paid	*(7,968)*	-	*(6,346)*	-
commission expenses incurred and other	*(1,356)*	-	*(1,362)*	-
Cost of apartments sold	(22,142)	-	(26,595)	-
Total	**(40,436)**	**-**	**(40,153)**	**-**

OTHER EXPENSES

	2014		2013	
	Group	Bank	Group (restated)	Bank
Rent of buildings and premises	(4,117)	(3,604)	(3,944)	(3,193)
Utility services for buildings and premises	(3,066)	(2,740)	(3,076)	(2,883)
Other expenses related to buildings and premises	(1,266)	(1,199)	(1,268)	(1,227)
Transportation expenses	(1,780)	(2,023)	(2,147)	(1,899)
Legal costs	(272)	(272)	(1,614)	(1,579)
Personnel and training expenses	(801)	(435)	(361)	(248)
IT and communication expenses	(6,160)	(5,351)	(4,952)	(4,757)
Marketing and charity expenses	(2,694)	(900)	(3,013)	(1,059)
Service organisation expenses	(3,146)	(3,720)	(3,854)	(4,459)
Non-income taxes, fines	(2,598)	(672)	(3,657)	(514)
Costs incurred due to debt recovery	(2,893)	(2,236)	(658)	(604)
Other expenses	(3,052)	(1,627)	(3,287)	(1,392)
Total	**(31,845)**	**(24,779)**	**(31,831)**	**(23,814)**

NOTE 5 GAIN FROM DISPOSAL OF TANGIBLE ASSETS AND DERECOGNITION OF FINANCIAL ASSETS

Gain from disposal of tangible assets
In 2014 gain on disposal of real estate assets at the Group amounted to LTL 2,957 thousand (Bank LTL 1,182 thousand). In 2013 gain on disposal of real estate assets at the Group (restated) amounted to LTL 303 thousand (Bank LTL 41 thousand).

Gain from derecognition of financial assets
Gain from derecognition of financial assets (Group/Bank: for the year ended 31 December 2014: LTL 25,744 thousand, for the year ended 31 December 2013: LTL 12,172 thousand) is mainly based on the difference between carrying value of the loans acquired under the transaction of transfer of assets, rights, transactions and liabilities of Ūkio Bankas and the total proceeds from the derecognition (repayment or refinancing) of the above-mentioned loans which is charged to profit or loss.

NOTE 6 REVENUE RELATED TO OTHER ACTIVITIES OF GROUP COMPANIES

	2014		2013	
	Group	Bank	Group (restated)	Bank
Revenue related to insurance activities	19,253	-	14,865	-
Revenue from sale of apartments	23,868	-	32,097	-
Total	**43,121**	**-**	**46,962**	**-**

Revenue from insurance activities consists of insurance premiums written by Bonum Publicum GD UAB.

OTHER OPERATING INCOME

	2014		2013	
	Group	Bank	Group (restated)	Bank
Income from rent of investment property and other income from investment property	3,445	1,648	3,017	1,072
Income from rent of other assets	1,667	656	816	726
Other income	2,784	1,228	1,943	612
Total	**7,896**	**3,532**	**5,776**	**2,410**

NOTE 7 IMPAIRMENT LOSSES

	2014		2013	
	Group	Bank	Group (restated)	Bank
Impairment losses on loans:				
Impairment charge for the year	70,680	69,708	70,192	68,005
Reversal of impairment charge for the year	(10,640)	(10,633)	(26,306)	(26,178)
Recoveries of loans previously written off	(3,406)	(128)	(2,199)	(207)
Total impairment losses on loans	56,634	58,947	41,687	41,620
Impairment losses on finance lease receivables:				
Impairment charge for the year	398	212	2,369	-
Reversal of impairment charge for the year	(4)	-	(793)	-
Recovered previously written-off finance lease receivables	(260)	-	(179)	-
Total impairment losses (reversals) on finance lease	134	212	1,397	-
Impairment losses on other assets:				
Claims: impairment charge	1,510	506	2,953	2,891
Claims: reversal of impairment charge	(963)	-	(39)	(14)
Provisions for pending legal issues: charge	244	-	-	-
Provisions for pending legal issues: reversal	-	-	-	-
Other assets: impairment charge	14,760	-	5,604	479
Other assets: reversal of impairment charge / reclassification	(625)	(479)	(2,820)	-
Total impairment losses on other assets	14,926	27	5,698	3,356
Total impairment losses on loans and other assets	**71,694**	**59,186**	**48,782**	**44,976**
Impairment losses on subsidiaries:				
Investments in subsidiaries: impairment charge	-	25,553	-	3,582
Investments in subsidiaries: reversal of impairment charge	-	-	-	-
Total impairment losses on subsidiaries	-	25,553	-	3,582
Total	**71,694**	**84,739**	**48,782**	**48,558**

NOTE 8 INCOME TAX

	2014		2013	
	Group	Bank	Group (restated)	Bank
Current tax	4,652	1,846	2,446	-
Deferred taxes	2,289	4,419	1,366	1,873
Total	6,941	6,265	3,812	1,873

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

	2014		2013	
	Group	Bank	Group (restated)	Bank
Profit before income tax from continuing operations	54,331	43,888	27,273	12,600
Tax calculated at a tax rate of 15%	8,150	6,583	4,091	1,890
Income not subject to tax	(5,744)	(4,242)	(2,135)	(800)
Expenses not deductible for tax purposes	4,921	3,994	1,770	783
Adjustment of previous year income tax	-	-	-	-
(Utilisation of) tax losses for which no deferred tax asset was recognized	(386)	(70)	86	-
Income tax charge	**6,941**	**6,265**	**3,812**	**1,873**

Deferred tax assets

	Group					Bank				
	Re-valuation of financial instru-ments and other assets	Accruals	Tax losses carried forward	Re-valuation of assets held for sale	Total	Re-valuation of financial instru-ments and other assets	Accruals	Tax losses carried forward	Re-valuation of assets held for sale	Total
At 31 December 2012	2,067	(273)	(8,791)	-	(6,997)	2,129	(273)	(7,409)	-	(5,553)
To be credited/(charged) to net profit	-	(225)	2,820	(72)	2,523	(564)	(222)	2,731	(72)	1,873
Reclassifications	(1,766)	(44)	64	-	(1,746)	-	-	-	-	-
To be credited/ (charged) to equity	-	-	-	-	-	(1,043)	-	-	-	(1,043)
At 31 December 2013 (restated)	301	(542)	(5,907)	(72)	(6,220)	522	(495)	(4,678)	(72)	(4,723)
To be credited/(charged) to net profit	(955)	(133)	4,491	72	3,475	(14)	(73)	4,434	72	4,419
Reclassification to assets held for sale	-	-	341	-	341					
Reclassifications	258	-	-	-	258					
To be credited/ (charged) to equity	-	-	-	-	-	676	-	-	-	676
At 31 December 2014	(396)	(675)	(1,075)	-	(2,146)	1,184	(568)	(244)	-	372

NOTE 8 INCOME TAX (CONTINUED)

Deferred tax liabilities			**Group**
	Revaluation of assets held for sale	**Revaluation of financial instruments and other assets**	**Total**
At 31 December 2012	5,668	-	5,668
To be credited/(charged) to net profit	(818)	(339)	(1,157)
Acquired in business combination (note 16)	-	251	251
Reclassification	-	1,746	1,746
To be credited/ (charged) to equity	-	(1,043)	(1,043)
At 31 December 2013 **(restated)**	4,850	615	5,465
To be credited/(charged) to net profit	(1,124)	(62)	(1,186)
Reclassification	-	(222)	(222)
To be credited/ (charged) to equity	-	640	640
At 31 December 2014	3,726	971	4,697

Taxable losses of the Group and the Bank are carried forward for indefinite term through the use of future taxable profits. Management of the Bank has estimated that future taxable profits of the Bank and the Group will be sufficient to realize the accumulated tax losses. Therefore deferred tax asset from the accumulated tax losses was recognized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

		2014		**2013**
	Group	**Bank**	**Group** **(restated)**	**Bank**
Deferred tax assets	(2,146)	-	(6,220)	(4,723)
Deferred tax liabilities	4,697	372	5,465	-

NOTE 9 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

As of 31 December 2014 and 31 December 2013, the Group had dilutive potential ordinary shares that were related to a subordinated loan obtained from a shareholder (see Note 30 Related-Party Transactions). Diluted earnings per share were calculated by dividing the net profit for the period adjusted by eliminating expense related to the above-mentioned loan by the total of weighted average number of ordinary shares in issue during the period and weighted average number of dilutive potential ordinary shares during the period.

The number of shares in issue for the year ended 31 December 2014 was 270,000 thousand (2013: 250,000 thousand). Weighted average number of shares in issue for the year ended 31 December 2014 was 270,000 thousand, for the year ended 31 December 2013 (retrospectively adjusted because the new shares in 2014 were issued as a result of bonus issue) – 270,000 thousand.

NOTE 9 EARNINGS PER SHARE (CONTINUED)

Basic earnings per share

Group	**2014**	**2013 (restated)**
Net profit from continuing operations attributable to equity holders	47,390	23,368
Net loss from discontinued operations attributable to equity holders	(6,735)	(4,944)
Net profit attributable to equity holders	**40,655**	**18,424**
Weighted average number of shares in issue during the period (thousand units)	270,000	270,000
Basic earnings per share (LTL)	0.15	0.07
Basic earnings per share (LTL) from continuing operations	0.18	0.09
Basic earnings per share (LTL) from discontinued operations	(0.03)	(0.02)

Diluted earnings per share

Group	**2014**	**2013 (restated)**
Net profit from continuing operations attributable to equity holders	47,390	23,368
Adjustments to net profit from continuing operations related to potential dilutive shares	3,433	3,192
Adjusted net profit from continuing operations attributable to equity holders	50,823	26,560
Net loss from discontinued operations attributable to equity holders	(6,735)	(4,944)
Net profit attributable to equity holders	**44,088**	**21,616**
Weighted average number of shares in issue during the period (thousand units)	270,000	270,000
Weighted average number of potential dilutive shares in issue during the period (thousand units)	69,056	59,029
Total	**339,056**	**329,029**
Diluted earnings per share (LTL)	0.13	0.07
Diluted earnings per share (LTL) from continuing operations	0.15	0.08
Diluted earnings per share (LTL) from discontinued operations	(0.02)	(0.01)

NOTE 10 CASH AND CASH EQUIVALENTS

	2014		**2013**	
	Group	**Bank**	**Group (restated)**	**Bank**
Cash and other valuables	146,920	146,919	59,989	59,983
Balances in bank deposit accounts	22,041	22,041	32,765	32,765
Balances in bank correspondent accounts	133,919	130,623	59,438	50,008
Placements with Central Bank:				
Deposits in Central Bank	150,006	150,006	-	-
Correspondent account with Central Bank	98,133	98,133	215,380	215,380
Mandatory reserves in local currency	130,688	130,688	122,863	122,863
Total placements with Central Bank	378,827	378,827	338,243	338,243
Total	**681,707**	**678,410**	**490,435**	**480,999**

The compulsory reserves held in the Bank of Lithuania are estimated on a monthly basis based on the value of indicated liabilities using the established compulsory reserve rate. With effect from 24 January 2013, the compulsory reserve rate has been reduced from 4% to 3%. The mandatory reserves are held with the Bank of Lithuania in the form of current deposits. The Bank is free to use the funds held in the current account with the Bank of Lithuania, the average monthly amount of which may be not less than the estimated compulsory reserves.

NOTE 10 CASH AND CASH EQUIVALENTS (CONTINUED)

Breakdown of balances in bank correspondent and deposit accounts by credit rating is presented in the table below:

Rating *		**2014**		**2013**
	Group	**Bank**	**Group (restated)**	**Bank**
From AA- to AA+	514	397	209	171
From A- to A+	155,008	151,829	78,908	69,516
From BBB- to BBB+	437	437	3,085	3,085
Lower than BBB-	1	1	1	1
No rating	-	-	10,000	10,000
Total	**155,960**	**152,664**	**92,203**	**82,773**

* for local banks that are subsidiaries of foreign banks, credit rating of the parent institution is used in case no credit rating of the local institution is available.

As of 31 December 2014, deposits in Central Bank with a carrying value of LTL 100,004 thousand and funds in correspondent account of Central Bank with a carrying value of LTL 9,036 thousand were pledged for pre-allocated Euro notes and coins (pre-allocated Euro notes and coins were not included in Bank's assets as they became a legal tender starting from 1 January 2015 and were forbidden to be used earlier), as part of Bank's preparation for adoption of Euro as local currency of Lithuania.

NOTE 11 DUE FROM OTHER BANKS

		2014		**2013**
	Group	**Bank**	**Group (restated)**	**Bank**
Pledged deposits	2,565	2,565	-	-
Term deposits	7,460	6,077	8,528	5,995
Loans	9,536	9,536	-	-
Total	**19,561**	**18,178**	**8,528**	**5,995**
Breakdown due from other banks by the maturity:				
Short-term (up to 1 year)	16,681	15,392	4,586	3,276
Long-term (over 1 year)	2,880	2,786	3,942	2,719
Total	**19,561**	**18,178**	**8,528**	**5,995**

As of 31 December 2014, pledged deposits consisted of funds pledged for customers operations in the joint ATM network.

Breakdown of balances due from banks by credit rating is presented in the table below:

Rating *		**2014**		**2013**
	Group	**Bank**	**Group (restated)**	**Bank**
From AA- to AA+	3,854	2,565	1,246	-
From A- to A+	7,274	7,180	7,259	5,972
From BBB- to BBB+	8,395	8,395	-	-
Lower than BBB-	-	-	-	-
No rating	38	38	23	23
Total	**19,561**	**18,178**	**8,528**	**5,995**

* for local banks that are subsidiaries of foreign banks, credit rating of the parent institution is used in case no credit rating of the local institution is available.

NOTE 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivative Financial Instruments

The Group granted certain loans to customers with variable interest rate, however, the floor for interest rate was also set in the agreements. The floor presents a put option issued by the client and thus is treated as a derivate embedded in the host contract (loan granted). Accounting standards mandate that if at the moment of granting the loan the floor interest rate is above the contractual variable interest rate, then the embedded derivative is not closely related with host contract and thus should be separated and accounted for separately.

Upon initial separation of the derivative, the related amount is credited to the loan balance and is amortized to profit (loss) using the effective interest rate of the loan, whereas the embedded derivative is fair valued at each balance sheet date. The Bank uses Black-Sholes model to price options. Certain inputs are derived from the market (e.g. historical volatility of EURIBOR and VILIBOR rates as well as EURIBOR forward curves), while forward curves for VILIBOR are derived from EURIBOR forward curves with an adjustment of historical spread between EURIBOR and VILIBOR.

Details of the derivatives are presented below:

	2014		2013	
	Group	**Bank**	**Group**	**Bank**
Initial recognition				
Value of the embedded derivative	11,930	12,030	13,671	11,800
Credit to loans granted	(11,930)	(12,030)	(13,671)	(11,800)
Subsequent measurement				
Increase (decrease) in the fair value of the derivative (gain (loss) in profit or loss)	(9,772)	(10,078)	(5,014)	(4,482)
Fair value of the derivative as of 1 January	**22,347**	**21,008**	**13,690**	**13,690**
Additions	11,930	12,030	13,671	11,800
Revaluations through profit or loss	(9,772)	(10,078)	(5,014)	(4,482)
Fair value of the derivative as of 31 December	**24,505**	**22,960**	**22,347**	**21,008**

Securities at Fair Value through Profit or Loss

	2014		2013	
	Group	**Bank**	**Group (restated)**	**Bank**
Trading debt securities:				
Government bonds	80,971	61,585	35,448	18,884
Corporate bonds	31,716	119,285	54,961	167,405
State controlled entities bonds	15,961	12,335	8,718	6,857
Debt securities designated at fair value through profit or loss at initial recognition:				
Government bonds	5,216	-	4,717	-
Total debt securities	**133,864**	**193,205**	**103,844**	**193,146**
Trading equity securities:				
Listed equity securities	385	385	397	397
Units of investment funds	-	-	105	105
Equity securities designated at fair value through profit or loss at initial recognition:				
Units of investment funds	45,636	-	40,751	
Total equity securities	**46,021**	**385**	**41,253**	**502**
Total	**179,885**	**193,590**	**145,097**	**193,648**
Breakdown of debt securities by time remaining to maturity:				
Short-term (up to 1 year)	5,030	100,000	3,678	123,999
Long-term (over 1 year)	128,834	93,205	100,166	69,147
Total	**133,864**	**193,205**	**103,844**	**193,146**

NOTE 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Securities at fair value through profit or loss have not been pledged as at 31 December 2014 and 2013.

All of the securities at fair value through profit or loss, except for unrated debt securities, are accounted at fair value that is determined using level 1 requirements as described in fair value hierarchy in Section 4.2 of Financial Risk Management, i.e. fair value is based on quoted prices in active markets for identical assets and liabilities. Unrated debt securities are accounted at fair value that is determined using level 3 requirements.

Breakdown of the Group‘s securities at fair value through profit or loss as at 31 December 2014 and 2013:

Rating	**Government debt securities**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**	
	2014	**2013 (restated)**	**2014**	**2013 (restated)**	**2014**	**2013**	**2014**	**2013 (restated)**
AAA	957	8,536	-	10,069	-	-	-	-
From AA- to AA+	423	1,568	10,821	9,121	-	-	-	-
From A- to A+	66,778	2,899	28,369	7,390	-	-	-	-
From BBB- to BBB+	16,256	25,398	8,487	32,869	-	-	-	-
From BB- to BB+	1,380	1,764	-	4,230	-	-	-	-
Lower than BB-	393	-	-	-	-	-	-	-
No rating	-	-	-	-	385	397	45,636	40,856
Total	86,187	40,165	47,677	63,679	385	397	45,636	40,856

Breakdown of the Bank‘s securities at fair value through profit or loss as at 31 December 2014 and 2013:

Rating	**Government debt securities**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
AAA	-	7,344	-	10,069	-	-	-	-
From AA- to AA+	-	-	8,374	9,121	-	-	-	-
From A- to A+	56,907	-	15,444	5,677	-	-	-	-
From BBB- to BBB+	4,678	11,540	7,802	22,963	-	-	-	-
From BB- to BB+	-	-	-	3,432	-	-	-	-
Lower than BB-	-	-	-	-	-	-	-	-
No rating	-	-	100,000	123,000	385	397	-	105
Total	61,585	18,884	131,620	174,262	385	397	-	105

NOTE 13 LOANS TO CUSTOMERS

	2014		2013	
	Group	Bank	Group (restated)	Bank
Gross loans to customers	2,651,155	2,874,181	2,673,491	2,866,565
Allowance for loan impairment	(164,479)	(143,858)	(159,907)	(142,903)
Of which: for individually assessed loans	*(163,184)*	*(143,858)*	*(158,853)*	*(142,903)*
Of which: for collectively assessed loans	*(1,295)*	*-*	*(1,054)*	*-*
NET LOANS TO CUSTOMERS	2,486,676	2,730,323	2,513,584	2,723,662
Breakdown of loans to customers according to maturity				
Short-term (up to 1 year)	837,523	998,227	756,864	1,120,729
Long-term (over 1 year)	1,649,153	1,732,096	1,756,720	1,602,933
Total	2,486,676	2,730,323	2,513,584	2,723,662

	Group	Bank
Allowance for loan impairment as at 31 December 2012	**111,599**	**110,431**
Allowance for impairment of loans written off during the year as uncollectible	(14,106)	(9,085)
Allowance for impairment acquired in business combination	19,104	-
Currency translation differences and other adjustments	(576)	(270)
Increase in allowance for loan impairment (Note 7)	43,886	41,827
Allowance for loan impairment as at 31 December 2013 **(restated)**	**159,907**	**142,903**
Allowance for impairment of loans written off during the year as uncollectible	(64,030)	(59,675)
Currency translation differences and other adjustments	8,562	1,555
Increase in allowance for loan impairment (Note 7)	60,040	59,075
Allowance for loan impairment as at 31 December 2014	**164,479**	**143,858**

Movements in allowance for loan impairment by separate class are provided below:

31 December 2014

	Group loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
As at 31 December 2013 (restated)	**14,482**	**7,563**	**5,028**	**10,593**	**37,666**
Change in allowance for loan impairment	4,273	13	(2,294)	1,049	3,041
Loans written off during the year	(4,335)	(3,161)	(80)	(9,754)	(17,330)
Other adjustments	138	-	-	185	323
As at 31 December 2014	**14,558**	**4,415**	**2,654**	**2,073**	**23,700**

	Group loans to business customers			
	Large corporates	SME	Central and local authorities and other	Total
As at 31 December 2013 (restated)	**-**	**122,241**	**-**	**122,241**
Change in allowance for loan impairment	-	55,843	1,156	56,999
Loans written off during the year	-	(46,700)	-	(46,700)
Other adjustments	-	8,239	-	8,239
As at 31 December 2014	**-**	**139,623**	**1,156**	**140,779**

NOTE 13 LOANS TO CUSTOMERS (CONTINUED)

31 December 2013 (restated)

	Group loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
As at 31 December 2012	**1,174**	**6,965**	**1,132**	**7,900**	**17,171**
Allowance for impairment acquired in business combination	19,104	-	-	-	19,104
Change in allowance for loan impairment	(149)	727	3,996	2,913	7,487
Loans written off during the year	(5,647)	(129)	(100)	(220)	(6,096)
As at 31 December 2013	**14,482**	**7,563**	**5,028**	**10,593**	**37,666**

	Group loans to business customers			
	Large corporates	SME	Central and local authorities and other	Total
As at 31 December 2012	**18,016**	**76,412**	**-**	**94,428**
Allowance for impairment acquired in business combination	-	259	-	259
Change in allowance for loan impairment	(17,746)	54,145	-	36,399
Loans written off during the year	-	(8,575)	-	(8,575)
Other adjustments	(270)	-	-	(270)
As at 31 December 2013	**-**	**122,241**	**-**	**122,241**

31 December 2014

	Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
As at 31 December 2013	**1,228**	**7,563**	**201**	**10,593**	**19,585**
Change in allowance for loan impairment	(226)	13	(12)	867	642
Loans written off during the year	(162)	(3,161)	(80)	(9,572)	(12,975)
As at 31 December 2014	**840**	**4,415**	**109**	**1,888**	**7,252**

	Bank loans to business customers			
	Large corporates	SME	Central and local authorities and other	Total
As at 31 December 2013	**-**	**123,318**	**-**	**123,318**
Change in allowance for loan impairment	-	57,277	1,156	58,433
Loans written off during the year	-	(46,700)	-	(46,700)
Other adjustments	-	1,555	-	1,555
As at 31 December 2014	**-**	**135,450**	**1,156**	**136,606**

NOTE 13 LOANS TO CUSTOMERS (CONTINUED)

31 December 2013

	Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
As at 31 Dec 2012	**977**	**6,965**	**317**	**7,900**	**16,159**
Change in allowance for loan impairment	312	727	(16)	2,913	3,936
Loans written off during the year	(61)	(129)	(100)	(220)	(510)
As at 31 Dec 2013	**1,228**	**7,563**	**201**	**10,593**	**19,585**

	Bank loans to business customers			
	Large corporates	SME	Central and local authorities and other	Total
As at 31 Dec 2012	**18,016**	**76,256**	**-**	**94,272**
Change in allowance for loan impairment	(17,746)	55,637	-	37,891
Loans written off during the year	-	(8,575)	-	(8,575)
Other adjustments	(270)	-	-	(270)
As at 31 Dec 2013	**-**	**123,318**	**-**	**123,318**

NOTE 14 FINANCE LEASE RECEIVABLES

The Group	**Up to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Gross investments in leasing:				
Balance at 31 December 2013 (restated)	75,639	145,000	45,530	266,169
Change during 2014	(5,399)	(12,524)	(24,086)	(42,009)
Balance at 31 December 2014	70,240	132,476	21,444	224,160
Unearned finance income on finance leases:				
Balance at 31 December 2013 (restated)	(10,167)	(21,621)	(7,129)	(38,917)
Change during 2014	(672)	4,326	3,125	6,779
Balance at 31 December 2014	(10,839)	(17,295)	(4,004)	(32,138)
Net investments in leasing before provisions:				
At 31 December 2013 (restated)	65,472	123,379	38,401	227,252
At 31 December 2014	59,401	115,181	17,440	192,022
Changes in provisions:				
Balance at 31 December 2012	-	(1,749)	-	(1,749)
Additional provisions charged	295	(1,873)	-	(1,578)
Increase after obtaining control of subsidiaries (Note 16)	(6,344)	-	-	(6,344)
Provisions for finance lease debts written off	189	339	-	528
Balance at 31 December 2013 (restated)	(5,860)	(3,283)	-	(9,143)
Additional provisions charged	(234)	(160)	-	(394)
Provisions for finance lease debts written off	196	2,632	-	2,828
Balance at 31 December 2014	(5,898)	(811)	-	(6,709)
Net investments in leasing after provisions:				
At 31 December 2013 (restated)	59,612	120,096	38,401	218,109
At 31 December 2014	53,503	114,370	17,440	185,313

NOTE 14 FINANCE LEASE RECEIVABLES (CONTINUED)

The Bank

	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Gross investments in leasing:				
Balance at 31 December 2013	13,179	14,336	10,801	38,316
Change during 2014	(6,687)	(5,235)	(1,469)	(13,391)
Balance at 31 December 2014	6,492	9,101	9,332	24,925
Unearned finance income on finance leases:				
Balance at 31 December 2013	(2,758)	(9,586)	(5,193)	(17,537)
Change during 2014	(830)	2,411	1,835	3,416
Balance at 31 December 2014	(3,588)	(7,175)	(3,358)	(14,121)
Net investments in leasing before provisions:				
At 31 December 2013	10,421	4,750	5,608	20,779
At 31 December 2014	2,904	1,926	5,974	10,804
Changes in provisions:				
Balance at 31 December 2013	-	-	-	-
Additional provisions charged	(79)	(133)	-	(212)
Provisions for finance lease debts written off	-	-	-	-
Balance at 31 December 2014	(79)	(133)	-	(212)
Net investments in leasing after provisions:				
At 31 December 2013	10,421	4,750	5,608	20,779
At 31 December 2014	2,825	1,793	5,974	10,592

Movements in provision for impairment of finance lease receivables by class are as follows:

Group	**2014**			**2013 (restated)**		
	Individuals	**Business customers**	**Total**	**Individuals**	**Business customers**	**Total**
As at 1 January	1,193	7,950	9,143	667	1,082	1,749
Change in allowance for finance lease impairment	370	24	394	(20)	1,598	1,578
Increase after obtaining control of subsidiaries (Note 16)	-	-	-	1,002	5,342	6,344
Amounts written off during the year	(691)	(2,137)	(2,828)	(456)	(72)	(528)
As at 31 December	872	5,837	6,709	1,193	7,950	9,143

Bank	**2014**			**2013**		
	Individuals	**Business customers**	**Total**	**Individuals**	**Business customers**	**Total**
As at 1 January	-	-	-	-	-	-
Change in allowance for finance lease impairment	-	212	212	-	-	-
Amounts written off during the year	-	-	-	-	-	-
As at 31 December	-	212	212	-	-	-

NOTE 15 INVESTMENT SECURITIES

	2014		2013	
	Group	**Bank**	**Group**	**Bank**
Securities available for sale:				
Equity securities:				
Unlisted equity securities	2,337	1,391	3,162	1,391
Investment fund units	432	432	378	378
TOTAL	2,769	1,823	3,540	1,769
Debt securities:				
Local government bonds	12,961	12,961	31,574	31,574
Treasury debt securities of foreign countries	8,897	8,897	30,332	30,332
Foreign countries corporate debt securities	51,741	51,741	122,757	122,757
Total	73,599	73,599	184,663	184,663
Total securities available for sale	**76,368**	**75,422**	**188,203**	**186,432**
Breakdown of debt securities available for sale by time remaining to maturity				
Short-term (up to 1 year)	-	-	-	-
Long-term (over 1 year)	73,599	73,599	184,663	184,663
Total	73,599	73,599	184,663	184,663

Breakdown of the Bank‘s securities available for sale as at 31 December 2014 and 2013:

Rating	**Treasury bills**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
AAA	-	18,787	-	6,874	-	-	-	-
From AA- to AA+	-	3,408	4,291	20,445	-	-	-	-
From A- to A+	15,797	-	19,509	49,703	-	-	-	-
From BBB- to BBB+	6,061	36,070	27,941	41,958	-	-	-	-
From BB- to BB+	-	1,875	-	3,777	-	-	-	-
Lower than BB-	-	1,766	-	-	-	-	-	-
No rating	-	-	-	-	1,391	1,391	432	378
Total	21,858	61,906	51,741	122,757	1,391	1,391	432	378

Breakdown of the Group‘s securities available for sale as at 31 December 2014 and 2013:

Rating	**Treasury bills**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
AAA	-	18,787	-	6,874	-	-	-	-
From AA- to AA+	-	3,408	4,291	20,445	-	-	-	-
From A- to A+	15,797	-	19,509	49,703	-	-	-	-
From BBB- to BBB+	6,061	36,070	27,941	41,958	-	-	-	-
From BB- to BB+	-	1,875	-	3,777	-	-	-	-
Lower than BB-	-	1,766	-	-	-	-	-	-
No rating	-	-	-	-	2,337	3,162	432	378
Total	21,858	61,906	51,741	122,757	2,337	3,162	432	378

NOTE 15 INVESTMENT SECURITIES (CONTINUED)

Group/Bank	**Financial assets revaluation reserve**	**Deferred income tax asset (liabilities)**	**Financial assets revaluation reserve**
31 December 2012	**5,875**	**(681)**	**5,194**
Revaluation	(5,422)	-	(5,422)
Sale or redemption	(2,626)	-	(2,626)
Amortisation of revaluation related to held-to-maturity investments	(179)	-	(179)
Deferred income tax	-	1,043	1,043
31 December 2013	**(2,352)**	**362**	**(1,990)**
Revaluation	8,834	-	8,834
Sale or redemption	(4,029)	-	(4,029)
Amortisation of revaluation related to held-to-maturity investments	(359)	-	(359)
Deferred income tax	-	(676)	(676)
31 December 2014	**2,094**	**(314)**	**1,780**

	2014		**2013**	
	Group	**Bank**	**Group (restated)**	**Bank**
Held-to-maturity securities:				
Local government bonds	1,077,458	1,077,458	995,595	995,595
Local corporate bonds	20,928	-	8,542	-
Foreign government bonds	82,210	82,210	45,019	45,019
Foreign corporate bonds	387,375	386,349	260,219	260,219
Total held-to-maturity securities	**1,567,971**	**1,546,017**	**1,309,375**	**1,300,833**
Neither past due nor individually impaired	1,566,945	1,546,017	1,309,375	1,300,833
Past due but not individually impaired	-	-	-	-
Individually impaired	1,026	-	-	-
Individually impaired, gross value	*3,659*	-	*3,511*	-
Impairment provisions for individually impaired securities	*(2,633)*	-	*(3,511)*	-
Total	**1,567,971**	**1,546,017**	**1,309,375**	**1,300,833**
Breakdown of held to maturity securities by time remaining to maturity				
Short-term (up to 1 year)	406,048	397,330	128,150	128,150
Long-term (over 1 year)	1,161,923	1,148,687	1,181,225	1,172,683
Total	**1,567,971**	**1,546,017**	**1,309,375**	**1,300,833**

Individually impaired debt securities consist of unrated foreign corporate bonds.

Bank’s cash flows and other movements of held-to-maturity securities:

	2014	**2013**
As at 1 January	1,300,833	273,031
Acquisitions	556,022	1,181,654
Redemptions	(316,957)	(228,893)
Accrued interest	40,730	34,289
Received coupon payment	(40,612)	(24,779)
Reclassifications	(360)	69,598
Foreign currency exchange rate impact	6,361	(4,067)
As at 31 December	1,546,017	1,300,833

NOTE 15 INVESTMENT SECURITIES (CONTINUED)

During 2013, the Bank has reclassified a part of its available for sale debt securities portfolio to held-to-maturity securities (no reclassifications were performed during 2014). Management of the bank has assessed that it has an intention to hold these securities to their maturity. Carrying amount of the reclassified securities at the time of reclassification was LTL 69,612 thousand. As of 31 December 2014, total book value of securities reclassified from available for sale to held-to-maturity portfolio was LTL 165,973 thousand (31 December 2013: LTL 165,867 thousand). During 2014 other comprehensive expenses recognized in relation to the amortisation of revaluation reserve of reclassified debt securities amounted to LTL 359 thousand (during 2013 - LTL 179 thousand). If the reclassification had not been performed, other comprehensive income recognized in 2014 in relation to these securities would be equal to LTL 13,685 thousand (in 2013 – other comprehensive income of 5,236 thousand).

No investment securities were pledged as at 31 December 2014 and 31 December 2013.

Breakdown of the Bank‘s held-to-maturity securities as at 31 December 2014 and 2013:

Rating	**Treasury bills**		**Corporate debt securities**	
Bank	**2014**	**2013**	**2014**	**2013**
AAA	-	-	24,248	23,335
From AA- to AA+	20,393	18,480	17,901	36,093
From A- to A+	1,029,656	17,752	168,556	128,191
From BBB- to BBB+	102,162	998,982	166,513	61,765
From BB- to BB+	7,457	5,400	9,131	10,835
Lower than BB-	-	-	-	-
No rating	-	-	-	-
Total	1,159,668	1,040,614	386,349	260,219

Breakdown of the Group‘s held-to-maturity securities as at 31 December 2014 and 2013:

Rating	**Treasury bills**		**Corporate debt securities**	
Group	**2014**	**2013**	**2014**	**2013**
AAA	-	-	24,248	23,335
From AA- to AA+	20,393	18,480	17,901	36,093
From A- to A+	1,029,656	17,752	168,556	128,191
From BBB- to BBB+	102,162	998,982	166,513	61,765
From BB- to BB+	7,457	5,400	9,131	10,835
Lower than BB-	-	-	-	-
No rating	-	-	21,954	9,701
Total	1,159,668	1,040,614	408,303	269,920

NOTE 16 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

				2014
Bank	**Share in equity**	**Acquisition cost**	**Impairment provision**	**Carrying amount**
Investments in consolidated directly controlled subsidiaries				
Šiaulių Banko Lizingas UAB	100.00%	13,500	(10,500)	3,000
Šiaulių Banko Investicijų Valdymas UAB	100.00%	14,040	(12,964)	1,076
Šiaulių Banko Turto Fondas UAB	100.00%	5,117	(846)	4,271
SBTF UAB	100.00%	2,000	-	2,000
Pavasaris UAB	100.00%	36,102	(9,053)	27,049
Minera UAB	100.00%	6,505	(1,000)	5,505
Bonum Publicum GD UAB	100.00%	29,000	-	29,000
Ūkio Banko Lizingas UAB	100.00%	30,600	-	30,600
Total		**136,864**	**(34,363)**	**102,501**

	Share in equity	**Acquisition cost**	**Impairment provision**	**Carrying amount**
Investments in consolidated indirectly controlled subsidiaries:				
Semelitas UAB*	100.00%	10	-	10
Sandworks UAB*	100.00%	9	-	9

*Indirectly controlled by subsidiary Šiaulių Banko Investicijų Valdymas UAB

In 2014, Semelitas UAB and Sandworks UAB, companies controlled by the subsidiary of the Bank Šiaulių banko Investicijų Valdymas UAB, have became material to the Group and therefore are consolidated in these financial statements. The entities are special purpose vehicles for management of certain finite real estate projects. Such form of these projects is chosen in order to have wider possibilities to realise them.

				2013 (restated)
Bank	**Share in equity**	**Acquisition cost**	**Impairment provision**	**Carrying amount**
Investments in consolidated directly controlled subsidiaries				
Šiaulių Banko Lizingas UAB	100.00%	5,000	(2,000)	3,000
Šiaulių Banko Investicijų Valdymas UAB	100.00%	7,040	(5,964)	1,076
Šiaulių Banko Turto Fondas UAB	100.00%	5,117	(846)	4,271
SBTF UAB	100.00%	2,000	-	2,000
Pavasaris UAB	98.91%	35,710	-	35,710
Minera UAB	100.00%	5,505	-	5,505
Ūkio Banko Lizingas UAB	100.00%	30,600	-	30,600
Bonum Publicum GD UAB	100.00%	29,000	-	29,000
Total		**119,972**	**(8,810)**	**111,162**

	Share in equity	**Acquisition cost**	**Impairment provision**	**Carrying amount**
Investments in consolidated indirectly controlled subsidiaries:				
Kėdainių Oda UAB*	100.00%	12,000	(2,820)	9,180

*Indirectly controlled by subsidiary Šiaulių Banko Investicijų Valdymas UAB

NOTE 16 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (CONTINUED)

The management of the Group uses value-in-use (discounted cash flows) method for testing investment in subsidiaries for impairment.

In 2014, the Bank recognized impairment losses to the following investments in subsidiaries: LTL 9,053 thousand investment in Pavasaris UAB (value of the investment reduced by the amount of dividends paid by Pavasaris UAB and recognised in the income statement of the Bank); LTL 8,500 thousand investment in Šiaulių Banko Lizingas UAB (Bank covered losses of the subsidiary); LTL 7,000 thousand investment in Šiaulių Banko Investicijų Valdymas UAB (Bank covered losses of the subsidiary); LTL 1,000 thousand investment in Minera UAB (Bank covered losses of the subsidiary). In 2013, the Bank recognised an impairment loss of LTL 3,582 thousand on an investment in Šiaulių Banko Investicijų Valdymas UAB (the Bank covered subsidiary's losses in amount of LTL 3,000 thousand and recognised additional impairment of LTL 582 thousand).

In 2014, Kėdainių Oda UAB was reclassified from consolidated subsidiaries to subsidiaries held for sale.

Development of investment in Pavasaris

In 2014, the Bank acquired 1.09% shares of Pavasaris UAB thus increased its holding from 98.91% to 100.00% and became the sole shareholder of the company. This acquisition resulted in a gain of LTL 114 thousand, which is included in the income statement line "Other operating income".

In 2013, the Group increased holding in Pavasaris UAB from 97.93% to 98.91%. The Bank acquired 0.98% holding from third parties. This acquisition resulted in a gain of LTL 75 thousand, which is included in the income statement line "Other operating income".

Investment in Ūkio Banko Lizingas and Bonum Publicum

3 March 2013, under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas, based on which a part of assets, rights, transactions and liabilities of Ūkio Bankas was transferred to Šiaulių Bankas, the Bank acquired 100 % control over following consolidated subsidiaries:

Ūkio Banko Lizingas UAB (Ūkio Banko Lizingas) was established in 1997. It is a financial services company, specializing in consumer financing and is one of the market leaders in this segment in Lithuania.

Ūkio Banko Lizingas net assets on acquisition	As at 3 March 2013
Loans and receivables (excluding Cash equivalents)	161,986
Investment property	3,610
Property, plant and equipment	535
Intangible assets	55
Other assets	3,059
Cash and cash equivalents	21,601
Total assets	190,846
Financial liabilities at amortised cost	153,000
Other liabilities	7,003
Deferred tax liabilities	291
Total liabilities	160,294
Total net assets on acquisition	**30,552**
Acquired share capital, %	100.00
Acquisition value	30,600
Goodwill arising from acquisition of Ūkio Banko Lizingas	**48**

NOTE 16 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (CONTINUED)

Life insurance company Bonum Publicum GD UAB (Bonum Publicum) was founded on 31 August 2000. The company is headquartered in Vilnius and runs five regional branches in Kaunas, Klaipėda, Mažeikiai, Šiauliai and Panevėžys.

Bonum Publicum net assets on acquisition	As at 3 March 2013
Loans and receivables (excluding Cash equivalents)	8,730
Securities at fair value through profit or loss	58,246
Property, plant and equipment	333
Intangible assets	132
Deferred tax assets	40
Other assets	2,053
Cash and cash equivalents	5,022
Total assets	74,556
Provisions	54,012
Other liabilities	819
Total liabilities	54,831
Total net assets on acquisition	**19,725**
Acquired share capital, %	100.00
Acquisition value	29,000
Goodwill arising from acquisition of Bonum Publicum GD UAB	**9,275**

NOTE 17 INTANGIBLE ASSETS

Software and licences

	Group	Bank
As at 31 December 2012:		
Cost	6,204	5,899
Accumulated amortisation	(5,177)	(4,996)
Net book value	1,027	903
Year ended 31 December 2013 (restated):		
Net book value at 1 January	1,027	903
Increase after obtaining control of subsidiaries (Note 16)	189	
Acquisitions	425	298
Write-offs	-	-
Amortisation charge	(435)	(314)
Net book value at 31 December	1,206	887
As at 31 December 2013 (restated):		
Cost	7,188	6,197
Accumulated amortisation	(5,982)	(5,310)
Net book value	1,206	887
Year ended 31 December 2014:		
Net book value at 1 January	1,206	887
Acquisitions	1,314	936
Write-offs	-	-
Amortisation charge	(541)	(400)
Net book value at 31 December	1,979	1,423
As at 31 December 2014:		
Cost	8,441	7,132
Accumulated amortisation	(6,462)	(5,709)
Net book value	1,979	1,423
Economic life (in years)	3 – 9	3 - 9

Goodwill

Goodwill arising from acquisition of:	**2014**	**2013**
Bonum Publicum	9,275	9,275
Pavasaris	180	180
Ūkio Banko Lizingas	48	48
Net book value	9,503	9,503

Goodwill impairment test

For the purpose of impairment testing, goodwill is allocated to one cash generating unit - subsidiary of the Bank Bonum Publicum. The recoverable amount of cash generating unit is determined by applying the value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates.

The main assumptions in assessing value in use are discount and growth rates. Assessing value in use, the management estimated pre-tax discount rates that reflect current market assessment of the time value of money and the risks related to cash generating unit. In calculating the value in use, the discount rate of 6.81% and the growth rate of 3.93% were used. Growth rates used are based on the expected long run economy growth rate.

No impairment loss for goodwill was identified in 2014 and 2013 as a result of the test.

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings, premises and land	Vehicles	Office equipment	Construction in progress	Total
As at 31 December 2012:					
Cost	48,794	10,418	21,251	-	80,463
Accumulated depreciation	(8,709)	(4,513)	(14,253)	-	(27,475)
Net book value	40,085	5,905	6,998	-	52,988
Year ended 31 December 2013:					
Net book value at 1 January	40,085	5,905	6,998	-	52,988
Increase after obtaining control of subsidiaries (Note 16)	-	600	269	-	869
Acquisitions	-	228	4,883	56	5,167
Reclassifications to investment property	(1,804)	-	-	-	(1,804)
Reclassifications to assets held for sale	(1,675)	-	-	-	(1,675)
Disposals and write-offs	(300)	(1,102)	(18)	-	(1,420)
Depreciation charge	(1,016)	(1,249)	(2,561)	-	(4,826)
Impairment charge	(2,820)	(269)	-	-	(3,089)
Net book value at 31 December (restated)	32,470	4,113	9,571	56	46,210
As at 31 December 2013 (restated):					
Cost	40,904	8,388	26,161	56	75,509
Accumulated depreciation	(8,434)	(4,275)	(16,590)	-	(29,299)
Net book value	32,470	4,113	9,571	56	46,210
Year ended 31 December 2014					
Net book value at 1 January	32,470	4,113	9,571	56	46,210
Acquisitions	202	1,148	2,238	177	3,765
Reclassifications to assets held for sale	(3,809)	(17)	(2,297)	(56)	(6,179)
Disposals and write-offs	(379)	(612)	(106)	-	(1,097)
Depreciation charge	(700)	(908)	(2,340)	-	(3,948)
Net book value at 31 December	27,784	3,724	7,066	177	38,751
As at 31 December 2014:					
Cost	35,662	7,754	22,985	177	66,578
Accumulated depreciation	(7,878)	(4,030)	(15,919)	-	(27,827)
Net book value	27,784	3,724	7,066	177	38,751
Economic life (in years)	15-50	5-12	3-20	-	-

NOTE 18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The total balance of the Group's assets in the table above includes assets leased under operating lease agreements as at 31 December 2014, as follows:

Group	**Vehicles**	**Equipment**	**Total**
As at 31 December 2012:			
Cost	6,674	2,552	9,226
Accumulated depreciation	(2,981)	(1,594)	(4,575)
Net book value	3,693	958	4,651
Year ended 31 December 2013:			
Net book value at 1 January	3,693	958	4,651
Acquisitions	129	309	438
Disposals and write-offs	(876)	(247)	(1,123)
Depreciation charge	(578)	(366)	(944)
Impairment	(269)	-	(269)
Net book value at 31 December	2,099	654	2,753
As at 31 December 2013:			
Cost	3,634	2,143	5,777
Accumulated depreciation	(1,535)	(1,489)	(3,024)
Net book value	2,099	654	2,753
Year ended 31 December 2014:			
Net book value at 1 January	2,099	654	2,753
Acquisitions	349	151	500
Disposals and write-offs	(101)	(13)	(114)
Depreciation charge	(339)	(276)	(615)
Impairment	-	-	-
Net book value at 31 December	2,008	516	2,524
As at 31 December 2014:			
Cost	3,784	2,293	6,077
Accumulated depreciation	(1,776)	(1,777)	(3,553)
Net book value	2,008	516	2,524
Economic life (in years)	6-12	6-15	-

As at 31 December 2014 and 31 December 2013, there were no property, plant and equipment pledged to third parties.

Future minimum lease payments to be received under non-cancellable operating lease agreements for the Bank and the Group were as follows (this includes investment property disclosed in Note 26):

	2014			**2013**		
	up to 1 year	1-5 years	over 5 years	up to 1 year	1-5 years	over 5 years
Bank	1,499	545	-	1,575	786	-
Group	3,834	6,759	6,037	2,852	6,527	6,155

NOTE 18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Buildings and premises	Vehicles	Office equipment	Construction in progress	Total
As at 31 December 2012:					
Cost	38,736	2,786	17,038	-	58,560
Accumulated depreciation	(6,302)	(1,317)	(12,730)	-	(20,349)
Net book value	32,434	1,469	4,308	-	38,211
Year ended 31 December 2013:					
Net book value at 1 January	32,434	1,469	4,308	-	38,211
Acquisitions	-	90	4,721	56	4,867
Disposals and write-offs	(300)	(150)	(12)	-	(462)
Depreciation charge	(719)	(398)	(2,106)	-	(3,223)
Reclassification to investment property	(1,804)	-	-	-	(1,804)
Reclassification to assets held for sale	(1,675)	-	-	-	(1,675)
Net book value at 31 December	27,936	1,011	6,911	56	35,914
As at 31 December 2013:					
Cost	33,666	2,441	20,851	56	57,014
Accumulated depreciation	(5,730)	(1,430)	(13,940)	-	(21,100)
Net book value	27,936	1,011	6,911	56	35,914
Year ended 31 December 2014:					
Net book value at 1 January	27,936	1,011	6,911	56	35,914
Acquisitions	202	356	2,032	177	2,767
Disposals and write-offs	(206)	(384)	(105)	-	(695)
Depreciation charge	(640)	(314)	(2,161)	-	(3,115)
Reclassification to investment property	-	-	-	-	-
Reclassification to assets held for sale	-	-	-	(56)	(56)
Net book value at 31 December	27,292	669	6,677	177	34,815
As at 31 December 2014:					
Cost	33,648	1,565	21,179	177	56,569
Accumulated depreciation	(6,356)	(896)	(14,502)	-	(21,754)
Net book value	27,292	669	6,677	177	34,815
Economic life (in years)	15-50	5-12	3-20	-	-

NOTE 19 OTHER ASSETS

	2014 Group	2014 Bank	2013 Group (restated)	2013 Bank
Financial assets:				
Amounts receivable	2,304	465	10,465	423
Breakdown of financial assets according to maturity				
Short-term (up to 1 year)	2,304	465	10,226	423
Long-term (over 1 year)	-	-	239	-
Non-financial assets:				
Breakdown of non-financial assets according to maturity				
Short-term (up to 1 year)	23,471	5,321	87,082	18,893
Long-term (over 1 year)	162,890	32,587	54,899	2,209
Inventories	122,718	-	111,629	-
Deferred charges	2,932	1,817	4,409	3,261
Assets under reinsurance and insurance contracts	1,674	-	1,743	-
Prepayments	13,145	11,394	16,042	13,884
Foreclosed assets	37,619	19,615	2,755	2,045
Other	8,273	5,082	5,403	1,912
TOTAL OTHER ASSETS	**188,665**	**38,373**	**152,446**	**21,525**

Inventories relate to real estate projects under development and real estate held for sale by the Bank's subsidiaries Šiaulių Banko Turto Fondas UAB, ŠB TF UAB, Minera UAB, Pavasaris UAB and Šiaulių Banko Investicijų Valdymas UAB.

Breakdown of inventories according to type:	2014 Group	2014 Bank	2013 Group	2013 Bank
Apartments held for sale	20,248	-	26,055	-
Property held for sale or development	102,470	-	85,574	-
Total inventories	122,718	-	111,629	-

All inventories are accounted at lower of cost and net realisable value. Inventories are not pledged.

NOTE 20 ASSETS HELD FOR SALE AND LIABILITIES RELATED TO ASSETS HELD FOR SALE

Assets held for sale consist of:

	2014 Group	2014 Bank	2013 (restated) Group	2013 (restated) Bank
Assets related to subsidiaries classified as held for sale	125,500	91,190	131,235	94,500
Real estate classified as held for sale	4,176	4,176	1,196	1,196
Total assets classified as held for sale	**129,676**	**95,366**	**132,431**	**95,696**
Liabilities attributable to subsidiaries classified as held for sale	**13,459**	**-**	**21,450**	**-**

Subsidiaries held for sale:

Subsidiaries acquired under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas

3 March 2013, under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas, based on which a part of assets, rights, transactions and liabilities of Ūkio Bankas was transferred to Šiaulių Bankas, Šiaulių Bankas AB acquired 100 % control over following subsidiaries engaged in real estate development activities: Eastern Europe Development Fund UAB, Sporto Klubų Investicijos UAB, Trade Project UAB, Investicinio Turto Valdymas UAB, ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB (ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB together own 100% shares of Žalgirio Sporto Arena UAB; Žalgirio Sporto Arena UAB owns 100% shares of Nacionalinis Futbolo Stadionas UAB).

NOTE 20 ASSETS HELD FOR SALE AND LIABILITIES RELATED TO ASSETS HELD FOR SALE (CONTINUED)

The agreement under which the subsidiaries were acquired until February 2014 provided the opportunity to the creditors of the Ūkio Bankas to sell these subsidiaries as a portfolio of assets. The option held by Ūkio Bankas expired on 2 February 2014, and was not executed. Management of Šiaulių Bankas is committed to a plan to sell these subsidiaries and considers it to be very likely for the sale transaction to be executed in 2015. Eastern Europe Development Fund UAB was sold in 2014. At the end of 2014, Šiaulių Bankas was in the process of adoption of the binding offers for the various scenarios of sale of the group of subsidiaries owning certain area in Vilnius. This process was finalised 30 January 2015, and Šiaulių Bankas received binding offers from a number of Lithuanian and foreign companies. The received proposals will be subject to a few week full-scale analysis and assessment. Subsequently, it will be followed by negotiations with one or a few selected companies. Therefore the Bank considers the sale of these subsidiaries in 2015 to be highly probable and accounts them for as subsidiaries held for sale.

As above-mentioned subsidiaries were acquired in a transaction of transfer of assets, rights, transactions and liabilities of Ūkio Bankas, they initially are accounted at acquisition value which is equal to their fair value and subsequently adjusted by the amount of activity result. Fair values have been established by KPMG Baltics UAB, using valuation methodology attributable to level 3 valuation.

Kėdainių Oda UAB
The Bank intends to sell its indirectly owned subsidiary Kėdainių Oda in 2015, therefore in 2014 this subsidiary was reclassified from consolidated subsidiaries to subsidiaries held for sale.

Profit (loss), net assets and cash flow information of the subsidiary is presented in the tables below:

	2014	2013
Profit (loss) attributable to discontinued operations:		
Revenues	9,144	10,500
Cost of goods sold	(8,781)	(10,182)
Gross profit (loss)	**363**	**318**
General and administrative expenses	(1,278)	(1,486)
Other income (expenses)	4	12
Operating profit (loss)	**(911)**	**(1,156)**
Net profit (loss) from financial activities	-	5
Impairment	(5,433)	(2,820)
Profit (loss) before income tax	**(6,344)**	**(3,971)**
Income tax	-	-
Profit (loss) for the year	**(6,344)**	**(3,971)**
Major classes of assets and liabilities included in assets held for sale and liabilities attributable to assets held for sale:		
Long term assets, gross	8,655	-
Deferred income tax, gross	341	-
Short term assets, gross	2,449	-
Impairment of assets held for sale	(8,253)	-
Total assets	**3,198**	-
Short term liabilities	1,230	-
Total liabilities	**1,230**	-
Cash flows attributable to the discontinued operations:		
Net cash flow from (used in) operating activities	(384)	197
Net cash flow from (used in) investing activities	427	(37)
Net cash flow from (used in) financing activities	(34)	(168)
Total net cash flow	**9**	**(8)**

NOTE 20 ASSETS HELD FOR SALE AND LIABILITIES RELATED TO ASSETS HELD FOR SALE (CONTINUED)

Investment in subsidiaries classified as held for sale, as of 31 December 2014	**Entities acquired under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas**	**Kėdainių Oda UAB**	**TOTAL**
Assets held for sale attributable to entity/ group of entities	122,302	3,198	125,500
Liabilities attributable to assets held for sale attributable to entity/ group of entities	12,229	1,230	13,459
Profit (loss) of the current year (recorded in Discontinued operations line of the income statement)	(391)	(6,344)	(6,735)

During the year 2014, the Group incurred a net loss of LTL 978 thousand that is related to the disposal of subsidiaries held for sale (included in discontinued operations line of the income statement). It is attributable to the sale of Eastern Europe Development Fund, and is calculated as follows:

Eastern Europe Development Fund UAB net assets on disposal	
Total assets	3,313
Total liabilities	76
Total net assets on disposal	**3,237**
Proceeds from disposal (Transfer price)	**2,300**
Net loss resulting from disposal of Eastern Europe Development Fund UAB	**(937)**

During the year 2014, the Group incurred a net loss of LTL 5 433 thousand related to the measurement to fair value less costs to sell of the subsidiaries held for sale. The whole amount is attributable to the revaluation of Kėdainių Oda UAB to fair value. It is included in discontinued operations line of the income statement.

Investment in subsidiaries classified as held for sale, as of 31 December 2013	**Entities acquired under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas**	**Kėdainių Oda UAB**	**TOTAL**
Assets held for sale attributable to group of entities	131,235	-	131,235
Liabilities attributable to assets held for sale attributable to the group of entities	21,450	-	21,450
Profit (loss) of the current year (recorded in Discontinued operations line of the income statement)	(973)	(3,971)	(4,944)

During the year ended 31 December 2013, the Group did not incur any gain or loss related to the disposal of the subsidiaries mentioned above. The result of discontinued operations includes an impairment of fixed assets of Kėdainių Oda of LTL 2,820 thousand, which in the financial statements for the year ended 31 December 2013 was presented as an impairment of investment in a subsidiary.

As all of the entities attributed to assets held for sale are 100%-owned, the whole amount of the profit (loss) from discontinued operations is attributable to equity owners of the Group.

Real estate held for sale:
In addition to the subsidiaries held for sale, real estate properties that are planned to be sold within one year are included in assets classified as held for sale. As of 31 December 2014, such real estate assets consisted of properties in Kaunas, Klaipėda and Šiauliai with a fair value of LTL 4,176 thousand (as of 31 December 2013, one real estate object in Vilnius with a fair value of LTL 1,196 thousand). No income or expenses related to these properties were recorded in profit or loss of discontinued operations.

NOTE 21 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	2014		2013	
	Group	**Bank**	**Group**	**Bank**
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	6,455	27,651	9,443	45,102
Time deposits	32,427	32,432	35,071	36,384
Total correspondent accounts and deposits of other banks and financial institutions	**38,882**	**60,083**	**44,514**	**81,486**
Loans received from:				
Other banks	26,356	26,356	47,516	47,516
Other organisations	69,398	69,398	94,602	94,602
International organisations	58,164	58,164	77,602	77,602
Total loans received	**153,918**	**153,918**	**219,720**	**219,720**
Total	**192,800**	**214,001**	**264,234**	**301,206**
Breakdown of due to other banks and financial institutions according to maturity				
Short-term (up to 1 year)	118,785	139,986	103,975	140,947
Long-term (over 1 year)	74,015	74,015	160,259	160,259
Total	**192,800**	**214,001**	**264,234**	**301,206**

NOTE 22 DUE TO CUSTOMERS

	2014		2013	
	Group	**Bank**	**Group**	**Bank**
Demand deposits:				
National government institutions	30,672	30,672	30,636	30,636
Local government institutions	87,318	87,318	67,136	67,136
Governmental and municipal companies	13,820	13,820	16,175	16,175
Corporate entities	456,832	458,223	307,676	308,460
Non-profit organisations	27,445	27,445	23,507	23,507
Individuals	647,650	647,650	443,191	443,191
Unallocated amounts due to customers	17,132	17,132	15,419	15,419
Total demand deposits	**1,280,869**	**1,282,260**	**903,740**	**904,524**
Time deposits:				
National government institutions	1,294	1,294	1,939	1,939
Local government institutions	1,864	1,864	2,331	2,331
Governmental and municipality companies	2,464	2,464	10,540	10,540
Corporate entities	177,976	177,976	174,242	174,242
Non-profit organisations	12,949	12,949	14,321	14,321
Individuals	3,409,377	3,409,377	3,422,124	3,422,124
Total time deposits	**3,605,924**	**3,605,924**	**3,625,497**	**3,625,497**
Total	**4,886,793**	**4,888,184**	**4,529,237**	**4,530,021**
Breakdown of due to customers according to maturity				
Short-term (up to 1 year)	4,545,755	4,547,146	4,176,516	4,177,300
Long-term (over 1 year)	341,038	341,038	352,721	352,721
Total	**4,886,793**	**4,888,184**	**4,529,237**	**4,530,021**

NOTE 23 SPECIAL AND LENDING FUNDS

	2014		2013	
	Group	Bank	Group	Bank
Special funds	8,629	8,629	7,354	7,354
Lending funds	-	-	-	-
Total	**8,629**	**8,629**	**7,354**	**7,354**
Breakdown of special and lending funds according to maturity				
Short-term (up to 1 year)	8,629	8,629	7,354	7,354
Long-term (over 1 year)	-	-	-	-
	8,629	**8,629**	**7,354**	**7,354**

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter.

NOTE 24 LIABILITIES RELATED TO INSURANCE ACTIVITIES

Technical insurance provisions:
Bank's subsidiary Bonum Publicum GD UAB is engaged in life insurance business. For the years ended 31 December 2014 and 2013 the technical insurance provisions and their changes were as follows:

	Unearned premiums	Claims outstanding	Loss cover (mathematical)	Unit-linked	Total
Gross:					
At 31 December 2012	-	-	-	-	-
Acquisition	66	1,094	11,096	41,899	54,155
Change for the period	(4)	38	1,796	4,020	5,850
At 31 December 2013	62	1,132	12,892	45,919	60,005
Change for the period	6	49	3,486	5,429	8,970
At 31 December 2014	68	1,181	16,378	51,348	68,975
Reinsurance share:					
At 31 December 2012	-	-	-	-	-
Acquisition	(73)	(25)	(46)	-	(144)
Change for the period	(3)	25	(2)	-	20
At 31 December 2013	(76)	-	(48)	-	(124)
Change for the period	26	(26)	15	-	15
At 31 December 2014	(50)	(26)	(33)	-	(109)
Net value					
At 31 December 2013	**(14)**	**1,132**	**12,844**	**45,919**	**59,881**
At 31 December 2014	**18**	**1,155**	**16,345**	**51,348**	**68,866**

Liabilities under unit-linked insurance contracts are fully covered with assets: securities designated at fair value through profit or loss at initial recognition and cash (31 December 2014: securities LTL 50,852 thousand, cash LTL 496 thousand, 31 December 2013: securities LTL 45,468 thousand, cash LTL 451 thousand).

NOTE 25 OTHER LIABILITIES

	2014		2013	
	Group	**Bank**	**Group**	**Bank**
Financial liabilities:				
Trade payables	6,295	-	10,657	-
Breakdown of other financial liabilities according to maturity				
Short-term (up to 1 year)	6,295	-	10,164	-
Long-term (over 1 year)	-	-	493	-
Non-financial liabilities:				
Accrued charges	18,195	13,589	18,989	12,879
Advance amounts received from the buyers of assets	6,411	-	1,318	-
Deferred income	9,053	734	9,835	1,011
Provisions	645	-	401	-
Other liabilities	8,871	3,788	10,367	8,277
Total non-financial liabilities	**43,175**	**18,111**	**40,910**	**22,167**
Breakdown of other non-financial liabilities according to maturity				
Short-term (up to 1 year)	29,192	18,111	31,152	21,252
Long-term (over 1 year)	13,983	-	9,758	915
Total non-financial liabilities	**43,175**	**18,111**	**40,910**	**22,167**

NOTE 26 INVESTMENT PROPERTY

Investment property	**Group**	**Bank**
Year ended 31 December 2013:		
Revalued amount at 1 January	37,508	7,517
Acquisition in a transaction of transfer of assets, rights, transactions and liabilities of Ūkio Bankas	32,473	32,473
Acquisitions	17,220	6,420
Acquisitions in business combination	3,570	-
Reclassification	514	1,804
Revaluation at fair value	(638)	(527)
Disposals and write-offs	(440)	(122)
Revalued amount at 31 December	**90,207**	**47,565**
Year ended 31 December 2014:		
Revalued amount at 1 January	90,207	47,565
Acquisitions	23,834	-
Reclassification	(5,034)	(10,310)
Revaluation at fair value	(1,216)	(411)
Disposals and write-offs	(38,163)	(25,440)
Revalued amount at 31 December	**69,628**	**11,404**

Income from rent of investment property is included in the income statement line “Other operating income” (see Note 6 “Other operating income”).

Maintenance expenses related to investment property (Group: LTL 1,305 thousand in 2014, LTL 1,634 thousand in 2013; Bank: LTL 930 thousand in 2014, LTL 1,599 thousand in 2013) are included in the income statement line “Other operating expenses”.

The Group measures fair value of the investment property mainly using valuations from external independent certified appraisers or valuations performed by Group’s employees (as of 31 December 2014, approximately half of the carrying value of the investment property was measured using valuations from external independent certified appraisers, and half by Group’s employees). Income method or replacement cost methods, i.e. valuation techniques attributable to Level 3 are mostly used valuation techniques to measure fair value of investment property both by external and internal valuators.

NOTE 27 SHARE CAPITAL

As of 31 December 2014 the Bank's share capital comprised 270,000,000 ordinary registered shares with par value of LTL 1 each (31 December 2013: 250,000,000 ordinary registered shares).

The amended Charter of the Bank with an increased authorised capital was registered in the Register of Legal Entities on 3 June 2014, after a new share issue of 20,000,000 ordinary shares was issued using Bank's own resources (share premium). The shares were distributed to Bank's shareholders using the proportion of their stakes at the accounting date of the rights (11 April 2014) of the ordinary meeting of shareholders of Šiaulių Bankas, that took place on 28 March 2014.

As of 31 December 2014, the shareholders holding over 5% of the Bank's shares are listed in the table below:

Shareholders	**Share of the authorized capital held, %**
European Bank for Reconstruction and Development	19.57
Gintaras Kateiva	6.24
Total	25.81

Another 18 shareholders had less than 5% but more than 1% of the Bank's share capital. The remaining shareholders on an individual basis had less than 1% of the Bank's shares and voting rights.

Shareholders of the Bank that have signed shareholders agreement - European Bank for Reconstruction and Development, Prekybos namai „Aiva" UAB, Mintaka UAB, Įmonių grupė „Alita" AB, Algirdas Butkus, Arvydas Salda, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Kastytis Jonas Vyšniauskas,- and other shareholders votes of which are calculated together based on the legal acts of Republic of Lithuania, form a group of acting together shareholders. As of 31 December 2014, this group possessed 42.26 percent of the authorised capital and votes of the Bank.

As at 31 December 2014, the Bank had 3,585 shareholders (as at 31 December 2013: 3,592).

Share premium
The share premium represents the difference between the issue price and nominal value of the shares issued by the Bank. Share premium can be used to increase the Bank's authorised capital.

Reserve capital
The reserve capital is formed from the Bank's profit and its purpose is to ensure the financial stability of the Bank. The shareholders may decide to use the reserve capital to cover losses incurred.

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

NOTE 28 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent tax liabilities
The Tax Authorities have not carried out a full-scope tax audit of the Bank for the period from 2010 to 2014. The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out an inspection of the Bank's books and accounting records and impose additional taxes or fines. Management is not aware of any circumstances that might result in a potential material liability in this respect.

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

	2014		**2013**	
	Group	**Bank**	**Group (restated)**	**Bank**
Financial guarantees issued	100,829	100,886	103,683	104,473
Letters of credit	1,087	1,087	7,039	7,039
Commitments to grant loans	342,651	357,284	237,588	242,331
Operating lease commitments	11,316	13,440	7,130	9,763
Other commitments	10,738	3,909	26,544	13,811
Total	**466,621**	**476,606**	**381,984**	**377,417**

NOTE 29 DIVIDENDS

Dividends are declared during the annual general meeting of shareholders of the Bank when appropriation of profit for the reporting period is performed. In March 2014, the annual general meeting of shareholders decided not to pay any dividends to the holders of ordinary shares. In March 2013, the annual general meeting of shareholders decided to pay dividends to the holders of ordinary shares 0.5% of the nominal value of the share, i.e. LTL 0.005 per one ordinary share. Total amount of dividends was LTL 1,174 thousand.

In 2014, Bank's 100%-owned subsidiary Ūkio Banko Lizingas UAB paid dividends of LTL 10,000 thousand to the Bank, Bank's 100%-owned subsidiary Pavasaris UAB paid dividends of LTL 9,053 thousand to the Bank, and Bank's 100%-owned subsidiary Bonum Publicum GD UAB paid dividends of LTL 2,000 thousand to the Bank.

In 2013, Bank's 100%-owned subsidiary Šiaulių Banko Lizingas UAB paid dividends of LTL 2,400 thousand to the Bank.

NOTE 30 RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

a) members of the Bank's Supervisory Council and Board (which also are the main decision makers of the Group), their close family members and companies that are controlled, jointly controlled or significantly influenced over by these related parties. For some companies the presumed significant influence threshold of 20% voting rights has been reduced if other evidence shows that a person/ entity can exercise significant influence by additional means (e.g. by holding a seat in the Board of Directors of a particular entity);
b) subsidiaries of the Bank, includes Šiaulių Banko Lizingas UAB, Šiaulių Banko Investicijų Valdymas UAB, Šiaulių Banko Turto Fondas UAB, SBTF UAB, Minera UAB, Semelitas UAB, Sandworks UAB, Ūkio Banko Lizingas UAB, Bonum Publicum GD UAB, Pavasaris UAB;
c) the shareholders holding over 5 % of the Bank's share capital.

During 2014, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

The year-end balances of loans (incl. off-balance sheet commitments) granted to and deposits accepted from the Bank's related parties, except for subsidiaries, and their average annual interest rates (calculated as weighted average) were as follows (data of the Bank):

	Deposits, at the year-end		**Average annual interest rates, %**		**Loans, at the year-end**		**Average annual interest rates, %**		**Off-balance sheet commitments, at the year-end**	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Members of the Council and the Board	2,339	1,303	1.45	2.04	4,163	6,273	3.59	4.79	430	623
Other related parties (excluding subsidiaries of the Bank)	7,560	6,418	0.29	0.29	122,448	145,638	3.55	3.79	275	542
Total	**9,899**	**7,721**	-	-	**126,611**	**151,911**	-	-	**705**	**1,165**
% of regulatory capital	2.53%	2.05%	-	-	32.41%	40.41%	-	-	0.18%	0.31%

As at 31 December 2014 and 2013, Bank's subsidiaries had no material transactions with the related persons except for the Bank and its subsidiaries.

As at 31 December 2014 and 2013, balance of allowances for impairment losses that are related to balances of loans to related parties, except for subsidiaries, was equal to nil. No impairment losses were incurred due to loans mentioned above.

Transactions with EBRD:
The Group/Bank has a subordinated loan received from European Bank for Reconstruction and Development (hereinafter – EBRD), book value of which was LTL 66,623 thousand as of 31 December 2014 (31 December 2013: LTL 68,855 thousand). The agreement for the loan was signed at the end of February 2013. Loan amount is EUR 20 million, term – 10 years. Loan agreement provides a conversion option to EBRD, under which EBRD has a right to convert a part of or the whole loan to ordinary shares of the Bank at a price, which at certain scenarios could be more favourable than the market price (but in any case, not less than the nominal value of the share). Because of this option, which is an embedded derivative,

the Bank chose to account for the whole instrument as a financial liability at fair value through profit or loss. Initial loan agreement provided a prepayment option to Šiaulių Bankas in 2018, but in 2014 the agreement was modified to exclude this option. Subordinated loan related interest expenses amounted to LTL 4,574 thousand, a gain of LTL 1,141 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement in 2014 (2013: interest expenses LTL 3,729 thousand, revaluation gain LTL 536 thousand).

The fair value of liability is determined using valuation technique attributable to level 3 fair value measurement.

As of 31 December 2012, LTL 78,109 thousand loan from EBRD was outstanding. It was repaid in 2013. Interest and other expenses related to this loan amounted to LTL 1,045 thousand in 2013.

Transactions with subsidiaries:
Balances of Bank's transactions with the subsidiaries are given below:

	Deposits, at the year-end		**Average annual interest rates, %**		**Loans, at the year-end**		**Average annual interest rates, %**		**Off-balance sheet commitments, at the year-end**	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Non-financial institutions	1,093	782	0.0	0.2	218,917	184,285	2.3	3.0	7,788	8,469
Financial institutions	21,499	36,972	0.0	0.8	202,302	215,734	3.2	3.2	7,679	2,802

Bank's transactions with subsidiaries (see Note 16 for details on investment in subsidiaries and Note 20 for details on subsidiaries held for sale):

Assets	**2014**	**2013 (restated)**
Loans	421,219	400,019
Debt securities*	100,000	123,000
Other assets	87	102
Bank's investment in subsidiaries	102,501	111,162
Bank's investment in subsidiaries classified as assets held for sale	91,190	94,500
Liabilities and shareholders' equity		
Term deposits	5	1,313
Demand deposits	22,587	36,441
Other liabilities	468	330

Income and expenses arising from transactions with subsidiaries:

Income	**2014**	**2013**
Interest	19,713	19,061
Commission income	736	476
Income from foreign exchange operations	7	-
Dividends	21,053	2,400
Other income	555	301
Expenses		
Interest	(42)	(127)
Operating expenses	(1,836)	(1,609)
Impairment of loans	(1,833)	(1,492)
Impairment of an investment to subsidiaries	(25,553)	(3,582)

* Bonds issued by Ūkio Banko Lizingas UAB, maturity 31 March 2015 (31 December 2013: maturity 31 March 2014). At maturity, the Bank intends to refinance the amount necessary for operations of the subsidiary. As of 31 December 2013, total carrying value of the bond issue amounts to LTL 130 million: LTL 100 million are possessed by the Bank (accounted for as trading securities), LTL 30 million by other subsidiaries of the Group (31 December 2013: total LTL 153 million, of which LTL 123 million possessed by the Bank, LTL 30 million by other subsidiaries of the Group).

As at 31 December 2014 balance of allowances for impairment losses that are related to balances of loans to subsidiaries was equal to LTL 3,325 thousand (as at 31 December 2013: LTL 1,492 thousand).

Remuneration of the management of the Group/Bank
During 2014 the total amount of salaries and bonuses, including social security contributions and guarantee fund payments, to the Bank's Board members was LTL 4,089 thousand (2013: LTL 3,653 thousand).

NOTE 31 FINANCIAL GROUP INFORMATION

According to local legislation the Bank is required to disclose certain information for the Financial Group. As of 31 December 2014, Financial Group consists of the Bank and its subsidiaries Šiaulių Banko Lizingas UAB (finance and operating lease activities), Šiaulių Banko Investicijų Valdymas UAB (investment management activities), Šiaulių Banko Turto Fondas UAB (real estate management activities) and Ūkio Banko Lizingas UAB (consumer financing activities). As of 31 December 2013, Financial Group includes the Bank and Šiaulių Banko Lizingas UAB (finance and operating lease activities). All of the entities attributable to Financial Group operate in Lithuania.

STATEMENT OF FINANCIAL POSITION

	31 December 2014		31 December 2013	
	Fin. Group	**Bank**	**Fin. Group**	**Bank**
ASSETS				
Cash and cash equivalents	681,316	678,410	481,000	480,999
Due from other banks	18,178	18,178	5,995	5,995
Securities at fair value through profit or loss	93,590	193,590	193,648	193,648
Derivative financial instruments	24,505	22,960	22,347	21,008
Loans to customers	2,588,572	2,730,323	2,539,867	2,723,625
Finance lease receivables	185,488	10,592	205,372	20,816
Investment securities:				
- available-for-sale	76,149	75,422	186,432	186,432
- held to maturity	1,562,650	1,546,017	1,300,833	1,300,833
Investments in subsidiaries	63,573	102,501	48,562	51,562
Intangible assets	1,912	1,423	985	887
Property, plant and equipment	37,856	34,815	38,259	35,914
Investment property	20,671	11,404	47,624	47,565
Current income tax prepayment	163	-	-	-
Deferred tax asset	1,783	-	4,723	4,723
Other assets	120,276	38,373	24,874	21,525
Assets held for sale	99,113	95,366	155,296	155,296
Total assets	**5,575,795**	**5,559,374**	**5,255,817**	**5,250,828**
LIABILITIES				
Due to other banks and financial institutions	193,510	214,001	301,185	301,206
Due to customers	4,888,080	4,888,184	4,530,021	4,530,021
Special and lending funds	8,629	8,629	7,354	7,354
Subordinated loan	66,623	66,623	68,855	68,855
Current income tax liabilities	1,872	1,846	127	-
Deferred income tax liabilities	971	372	102	-
Other liabilities	43,947	18,111	27,241	22,167
Total liabilities	**5,203,632**	**5,197,766**	**4,934,885**	**4,929,603**
EQUITY				
Capital and reserves attributable to owners of the Bank				
Share capital	270,000	270,000	250,000	250,000
Share premium	12,719	12,719	32,719	32,719
Reserve capital	2,611	2,611	2,611	2,611
Statutory reserve	5,003	4,403	2,841	2,641
Financial assets revaluation reserve	1,780	1,780	(1,990)	(1,990)
Retained earnings	80,050	70,095	34,751	35,244
Total equity	**372,163**	**361,608**	**320,932**	**321,225**
Total liabilities and equity	**5,575,795**	**5,559,374**	**5,255,817**	**5,250,828**

NOTE 31 FINANCIAL GROUP INFORMATION (CONTINUED)

INCOME STATEMENT

	2014		2013	
	Fin. Group	**Bank**	**Fin. Group**	**Bank**
Continuing operations				
Interest and similar income	223,406	194,899	186,455	177,665
Interest expense and similar charges	(81,066)	(80,920)	(94,626)	(94,626)
Net interest income	**142,340**	**113,979**	**91,829**	**83,039**
Fee and commission income	32,940	32,402	26,618	26,817
Fee and commission expense	(14,510)	(12,551)	(11,655)	(10,257)
Net fee and commission income	**18,430**	**19,851**	**14,963**	**16,560**
Net gain from operations with securities	9,400	9,334	6,684	6,684
Net foreign exchange gain	10,919	10,920	7,212	7,213
Net gain (loss) from embedded derivatives	(9,772)	(10,078)	(5,014)	(4,482)
Net gain from changes in fair value of subordinated loan	1,141	1,141	536	536
Net gain from derecognition of financial assets	25,744	25,744	12,172	12,172
Net gain from disposal of tangible assets	1,210	1,182	25	41
Other operating income	4,774	3,532	2,575	2,410
Salaries and related expenses	(47,990)	(39,326)	(39,856)	(37,537)
Depreciation and amortization expenses	(4,779)	(3,926)	(4,804)	(4,064)
Other operating expenses	(28,191)	(24,779)	(24,367)	(23,814)
Operating profit before impairment losses	**123,226**	**107,574**	**61,955**	**58,758**
Allowance for impairment losses on loans and other assets	(78,099)	(59,186)	(47,619)	(44,976)
Allowance for impairment losses on investments in subsidiaries	(10,053)	(25,553)	(3,582)	(3,582)
Dividends from investments in subsidiaries	11,053	21,053	-	2,400
Profit from continuing operations before income tax	**46,127**	**43,888**	**10,754**	**12,600**
Income tax (expense)	(6,864)	(6,265)	(2,272)	(1,873)
Profit from continuing operations	**39,263**	**37,623**	**8,482**	**10,727**
Profit from discontinued operations, net of tax	(1,010)	(1,010)	-	-
Net profit for the year	**38,253**	**36,613**	**8,482**	**10,727**
Net profit attributable to:				
Owners of the Bank	38,253	36,613	8,482	10,727
Non-controlling interest	-	-	-	-
	38,253	36,613	8,482	10,727

NOTE 31 FINANCIAL GROUP INFORMATION (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME

	2014		2013	
	Fin. Group	**Bank**	**Fin. Group**	**Bank**
Profit for the year	**38,253**	**36,613**	**8,482**	**10,727**
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Gain (loss) from revaluation of financial assets	8,834	8,834	(5,422)	(5,422)
(Loss) from sale of financial assets	(4,029)	(4,029)	(2,626)	(2,626)
Amortisation of revaluation related to held-to-maturity investments	(359)	(359)	(179)	(179)
Deferred income tax on gain (loss) from revaluation of financial assets	(676)	(676)	1,043	1,043
Other comprehensive income (loss), net of deferred tax	3,770	3,770	(7,184)	(7,184)
Total comprehensive income	**42,023**	**40,383**	**1,298**	**3,543**
Total comprehensive income (loss) attributable to:				
Owners of the Bank	42,023	40,383	1,298	3,543
From continuing operations	43,033	41,393	1,298	3,543
From discontinued operations	(1,010)	(1,010)	-	-
Non-controlling interest (from continuing operations)	-	-	-	-
	42,023	40,383	1,298	3,543

NOTE 31 FINANCIAL GROUP INFORMATION (CONTINUED)

STATEMENT OF CASH FLOWS

	Year ended			
	31 December 2014		31 December 2013	
	Fin. Group	Bank	Fin. Group	Bank
Operating activities				
Interest received	167,834	140,926	127,974	119,628
Interest paid	(81,066)	(80,920)	(94,626)	(94,626)
Fees and commissions received	32,940	32,402	26,618	26,817
Fees and commissions paid	(14,510)	(12,551)	(11,655)	(10,257)
Cash inflows from trade in securities at fair value through profit or loss	6,396	6,396	9,450	9,450
Net income from foreign exchange operations	12,474	12,475	6,942	6,943
Recoveries on loans previously written off	3,691	128	636	159
Salaries and related payments to and on behalf of employees	(46,381)	(38,512)	(39,293)	(36,974)
Other cash receipts, sale of assets	31,728	30,458	11,487	11,338
Other cash payments	(29,473)	(28,467)	(28,341)	(24,718)
Income tax paid	(2,457)	-	(408)	-
Net cash flow from operating activities before change in operating assets and liabilities	**81,176**	**62,335**	**8,784**	**7,760**
Change in operating assets and liabilities:				
Decrease in securities at fair value through profit or loss	12,263	12,263	169,913	169,913
(Increase) in loans to credit and financial institutions	(12,183)	(12,183)	(1,858)	(1,858)
(Increase) in loans to customers	(55,041)	(69,839)	(87,714)	(84,614)
(Increase) in other current assets	(29,109)	(17,354)	(17,705)	(18,966)
(Decrease) in liabilities to credit and financial institutions	(88,371)	(88,296)	(35,694)	(37,971)
Increase (decrease) in deposits	358,059	358,163	(363,754)	(363,754)
Increase in special and lending funds	1,275	1,275	60	60
(Decrease) increase in other liabilities	(5,527)	(4,855)	10,710	13,595
Change	**181,366**	**179,174**	**(326,042)**	**(323,595)**
Net cash flow from (used in) operating activities	**262,542**	**241,509**	**(317,258)**	**(315,835)**
Investing activities				
(Acquisition) of property, plant and equipment, investment property and intangible assets	(15,262)	(3,279)	(6,084)	(5,855)
Disposal of property, plant and equipment, investment property and intangible assets	36,237	37,267	5,824	1,821
(Acquisition) of held-to-maturity securities	(573,146)	(562,023)	(168,412)	(168,412)
Proceeds from redemption of held-to-maturity securities	358,059	357,569	253,672	253,672
Dividends received	11,370	21,304	67	2,467
(Acquisition) of available-for-sale securities	(128,779)	(128,693)	(336,790)	(336,790)
Sale of available-for-sale securities	248,402	248,364	354,713	354,713
Disposal of subsidiaries held for sale	2,300	2,300	-	-
(Acquisition) of subsidiaries	(1,000)	(16,500)	(353)	(353)
Instalments to cover losses of subsidiary companies	(392)	(392)	-	-
Cash from the transaction of transfer of assets, rights, transactions and liabilities of Ūkio Bankas	-	-	497,827	497,827
Net cash flow from (used in) investing activities	**(62,211)**	**(44,083)**	**600,464**	**599,090**
Financing activities				
Payment of dividends	(15)	(15)	(1,149)	(1,149)
Redemption of debt securities in issue	-	-	(22,912)	(22,912)
Net cash flow from financing activities	**(15)**	**(15)**	**(24,061)**	**(24,061)**
Net increase in cash and cash equivalents	**200,316**	**197,411**	**259,145**	**259,194**
Cash and cash equivalents at 1 January	**481,000**	**480,999**	**221,855**	**221,805**
Cash and cash equivalents at 31 December	**681,316**	**678,410**	**481,000**	**480,999**

NOTE 31 FINANCIAL GROUP INFORMATION (CONTINUED)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve capital	Financial assets revaluation	Statutory reserve	Other reserves	Retained earnings	Total
31 December 2012	**234,858**	**47,861**	**2,611**	**5,194**	**1,489**	**-**	**28,795**	**320,808**
Formation of statutory reserve	-	-	-	-	1,352	-	(1,352)	-
Payment of dividends	-	-	-	-	-	-	(1,174)	(1,174)
Increase in share capital	15,142	(15,142)	-	-	-	-	-	-
Total comprehensive income (loss):	-	-	-	(7,184)	-	-	8,482	1,298
Net profit	-	-	-	-	-	-	*8,482*	*8,482*
Other comprehensive (loss)	-	-	-	*(7,184)*	-	-	-	*(7,184)*
31 December 2013	**250,000**	**32,719**	**2,611**	**(1,990)**	**2,841**	**-**	**34,751**	**320,932**
Formation of statutory reserve	-	-	-	-	1,762	-	(1,762)	-
Increase in share capital	20,000	(20,000)	-	-	-	-	-	-
Inclusion of subsidiaries in Financial Group	-	-	-	-	400	-	8,808	9,208
Total comprehensive income:	-	-	-	3,770	-	-	38,253	42,023
Net profit	-	-	-	-	-	-	*38,253*	*38,253*
Other comprehensive income	-	-	-	*3,770*	-	-	-	*3,770*
31 December 2014	**270,000**	**12,719**	**2,611**	**1,780**	**5,003**	**-**	**80,050**	**372,163**

NOTE 31 FINANCIAL GROUP INFORMATION (CONTINUED)

CAPITAL RATIOS AND COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

	31 December 2014		31 December 2013	
	Fin.Group	**Bank**	**Fin.Group**	**Bank**
Common equity tier 1 capital eligible as CET1 Capital				
Paid up capital instruments	270,000	270,000	250,000	250,000
Share premium	12,719	12,719	32,719	32,719
Previous year's retained earnings	41,797	33,482	26,269	24,517
Current year loss	-	-	-	-
Other reserves	2,611	2,611	2,611	2,611
Funds for general banking risk	5,003	4,403	2,841	2,641
Negative financial assets revaluation reserve	(173)	(173)	(1,990)	(1,990)
(-) Goodwill	(48)	-	-	-
(-) Intangible assets	(1,864)	(1,423)	(985)	(887)
TIER 1 CAPITAL	**330,045**	**321,619**	**311,465**	**309,611**
Capital instruments and subordinated loans eligible as T2 Capital				
Subordinated loan capital	69,056	69,056	69,056	69,056
TIER 2 CAPITAL	**69,056**	**69,056**	**69,056**	**69,056**
Less Investments in other credit or financial institutions	-	-	-	(2,729)
OWN FUNDS	**399,101**	**390,675**	**380,521**	**375,938**
Own funds requirements for:				
Risk weighted exposure amount for credit risk under the Standardised Approach	2,873,715	2,827,556	2,857,303	2,882,700
Traded debt instruments	57,838	160,013	117,693	116,322
Equity	770	770	1,004	1,004
Foreign exchange	8,560	6,754	7,692	7,682
Operational risk under the Basic Indicator Approach	316,472	278,199	179,799	170,067
Other capital requirements (large positions in the trading book)	-	-	116,980	119,271
Total risk exposure amount	**3,257,355**	**3,273,292**	**3,280,471**	**3,297,046**
CET1 Capital ratio, (4.5%)	**10.13%**	**9.83%**	**9.49%**	**9.39%**
T1 Capital ratio, (6%)	**10.13%**	**9.83%**	**9.49%**	**9.39%**
Total capital ratio, (8%)	**12.25%**	**11.94%**	**11.60%**	**11.40%**

During the years ended 31 December 2014 and 31 December 2013, the Financial group and the Bank complied with prudential requirements.

The profit of the current year is not included in Tier 1 capital until it is audited by independent auditors. If the profit for the year 2014 was included in Owns funds of the Financial group and the Bank as of 31 December 2014, it would cause the Total capital ratio to increase to 13.43% and 13.06%, respectively.