



**AB SEB bankas
Independent auditor's report
Annual report and Financial statements
for the year ended 31 December 2014**

16 March 2015

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Translation note

Financial statements have been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of the financial statements takes precedence over the English language version.



Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Independent Auditor's Report

To the shareholder of AB SEB Bank

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the financial statements') of AB SEB Bank ('the Bank') and its subsidiaries (collectively 'the Group') set out on pages 22 - 103 which comprise the stand alone and consolidated statement 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 summary of significant accounting policies and other explanatory information.

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.

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 5 - 21, including its Appendix 1 set out on pages 104 - 131 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

A large, stylized handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

A handwritten signature in blue ink, appearing as a series of connected, somewhat vertical strokes.

Rasa Selevičienė
Auditor's Certificate No.000504

Vilnius, Republic of Lithuania
16 March 2015

THE YEAR 2014 CONSOLIDATED ANNUAL REPORT

(all amounts in LTL thousand, unless indicated otherwise)

CONSOLIDATED ANNUAL REPORT OF AB SEB BANKAS FOR THE YEAR 2014

1. Reporting period covered by the Consolidated Annual Report

This Consolidated Annual Report (hereinafter the Report) has been prepared for the year ended 31 December 2014. All numbers presented are as of 31 December 2014 or for the year then ended, unless specified otherwise.

2. Issuer Group companies, contact details and types of their core activities.

Issuer's name	AB SEB bankas
Authorised capital	LTL 1,034,575,341
Legal address	Gedimino ave.12, LT-01103 Vilnius
Telephone	(8 5) 2682 800
Facsimile	(8 5) 2682 333
E-mail address	info@seb.lt
Legal form	Public limited company
Registration date and place	29 November 1990, the Bank of Lithuania
Company code	112021238
Company registration number	AB90-4
Website address	www.seb.lt

AB SEB bankas (hereinafter the 'Bank'), a public limited company, is a credit institution operating on share capital basis and is licensed to engage in such types of activities as acceptance of deposits and other refundable means from non-professional market participants and funds lending, also it is entitled to engage in offering other financial services and assumes relevant related risks and liability.

At the close of the reporting period, the AB SEB bankas Group in Lithuania (hereinafter the 'Group') consisted of AB SEB bankas and two subsidiary companies: UAB "SEB investicijų valdymas" and UAB "SEB Venture Capital".

On 23 November 2013, AB "SEB lizingas", wholly owned by AB SEB bankas, was merged to AB SEB bankas in a manner established under Item 3 of Article 2.97 of the Civil Code of the Republic of Lithuania and under Item 1 of Article 70 of the Company Law of the Republic of Lithuania. AB "SEB lizingas" as a legal entity was deregistered from the Register of Legal Persons of the Republic of Lithuania on 28 November 2013 (the last financial statements of AB "SEB lizingas" is provided alongside with the annual financial reporting for the year 2013).

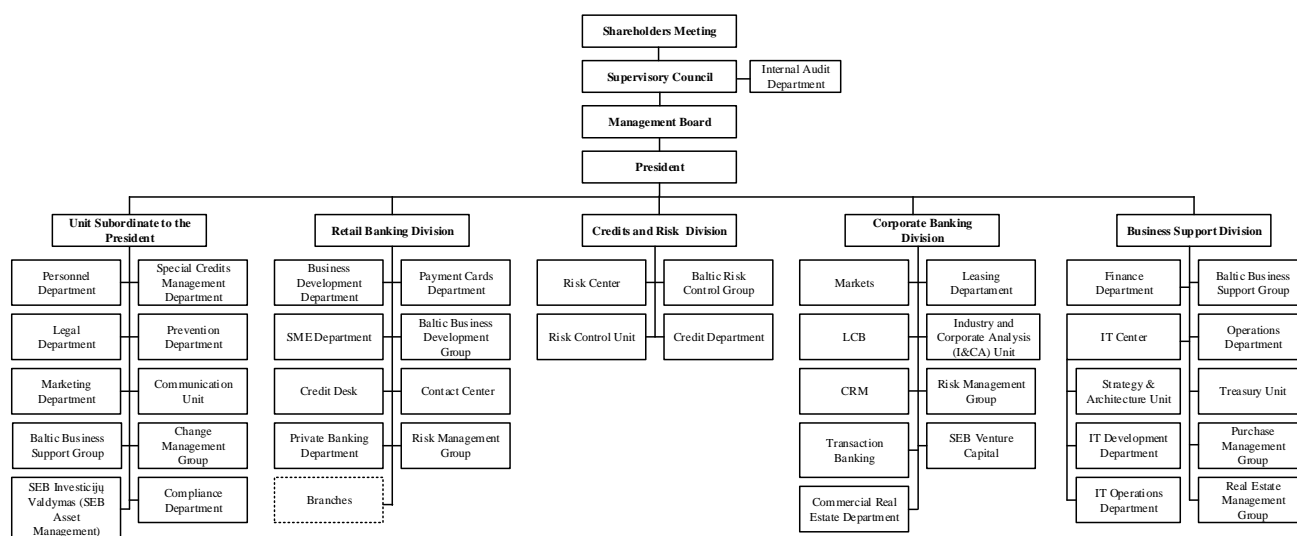
Name	UAB "SEB Venture Capital"
Type of core activities	Own asset investment into other companies' equity and asset management on trust basis
Legal form	Private limited company
Registration date and place	16 October 1997, Vilnius
Company code	124186219
Domicile address	Gedimino ave. 12, LT-01103 Vilnius
Office address	Jogailos str. 10, LT-01116 Vilnius
Telephone	(8 5) 2682 407
Fax	(8 5) 2682 402
E-mail address	kapitalas@seb.lt
Website address	www.seb.lt

Name	UAB "SEB investicijų valdymas"
Type of core activities	Various investment management services, consultancy services
Legal / organisational form	Private limited company
Registration date and place	3 May 2000, Vilnius
Company code	125277981
Domicile address	Gedimino ave. 12, LT-01103 Vilnius
Office address	Olimpiečių str. 1, LT-09235 Vilnius
Telephone	(8 5) 2681 594
Fax	(8 5) 2681 575
E-mail address	info.invest@seb.lt
Website address	www.seb.lt

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3. Organizational structure of the Group



4. Agreements between the Issuer and securities' public offering agents

The Bank, in the process of a public issue of bonds, must execute an agreement with the selected public offering agent for the protection of interests of the owners of any relevant issue of bonds.

As of 31 December 2014, AB SEB banks had 41 agreements with AB bankas "Finasta" (legal entity code 301502699, address Maironio str. 11, LT-01124 Vilnius).

5. Data on trade in securities of the Issuer Group companies in the regulated markets

Shares of AB SEB banks are not included in either the main or secondary list of "NASDAQ OMX Vilnius" exchange or in trading lists of other regulated markets and their listing is not planned in the nearest future.

As of 31 December 2014, three non-equity securities issues of AB SEB banks were included in the trading list of the debt securities list of "NASDAQ OMX Vilnius" exchange:

Parameters	Issue
ISIN code	LT0000405060
Number of securities issued (units)	46,575
Nominal value per unit (LTL)	100.00
Total nominal value (LTL)	4,657,500.00
Effective date of the issue	17 May 2011
Redemption date	13 June 2016

Parameters	Issue
ISIN code	LT0000405078
Number of securities issued (units)	38,857
Nominal value per unit (LTL)	100.00
Total nominal value (LTL)	3,885,700.00
Effective date of the issue	21 December 2011
Redemption date	9 January 2017

Parameters	Issue
ISIN code	LT0000405086
Number of securities issued (units)	47,032
Nominal value per unit (LTL)	100.00
Total nominal value (LTL)	4,703,200.00
Effective date of the issue	30 May 2012
Redemption date	13 June 2017

Securities of the Bank subsidiary companies are not traded in the regulated markets.

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6. Information on the Issuer's branches and representative offices

As of 31 December 2014, the Bank had 3 branches: AB SEB bankas Eastern Region (code 112053613, address: Savanorių str. 1, LT-03116 Vilnius), AB SEB bankas Middle Region (code 112052511, address: Laisvės ave. 82/ Maironio str. 17, LT-44250 Kaunas), and AB SEB bankas Western Region (code 112052479, address: Taikos ave. 32, LT-91246 Klaipėda).

The branches consisted of a network of 46 customer service units (7 branches and 39 sub-branches) all over Lithuania.

7. Objective overview of the issuer group status, activities and development

In the year 2014, AB SEB bankas Group offered a full-range of banking services to private individuals, corporate customers and finance institutions. At the end of 2014 the Group in Lithuania consisted of AB SEB bankas and its two subsidiaries: UAB "SEB investicijų valdymas", UAB "SEB Venture Capital".

In the year 2014

During the the year 2014 performance of AB SEB bankas Group was successful, its financial ratios have improved, income and net profit increased. Audited net profit earned by AB SEB bankasin 2014 is LTL 225.6 million (EUR 65.3 million) and by AB SEB bankas Group is LTL 249.9 million (EUR 72.4 million). The result has been calculated in accordance with the requirements set by the acts of the Bank of Lithuania and legal acts of the Republic of Lithuania. Audited net profit earned during-the year 2013 by AB SEB bankas was LTL 212.3 million (EUR 61.5 million) and by AB SEB bankas Group – LTL 212.3 million (EUR 61.5 million).

In 2014, AB SEB bankas actively cooperated with companies that experienced a direct impact of the economic effects of the Russian-Ukrainian conflict.

Geopolitical challenges had an impact on the population's and businesses' optimism that was marked by growth during the first half-year of 2014, however, this did not prevent the development of bank's services – customers of AB SEB bankas were using the Bank's services more often, there was an increase in the number of e-transactions. As before, in 2014 it was observed that there as an increasing number of customers that prefer more transparent and safer payments made electronically, appreciated the advantages of payments by card, and the volume of cash transactions was consistently decreasing.

AB SEB bankas' one and a half year-long process of preparation for the changeover to the euro was successfully completed: on January 1st, savings in the litas in customer accounts were smoothly exchanged with the euro, and the bank's sub-branches were prepared for servicing customers willing to exchange the litas with the euro in cash, whose number has highly increased during the first half year of 2015.

AB SEB bankas' preparedness for providing services in the euro zone space was confirmed by the results of a review of the European Central Bank of the Lithuanian banks' asset quality under stressed conditions – the bank received a clear opinion that bank's resistance to external factors and its capital base considerably exceeds the mandatory requirements. Also, customer trust in AB SEB bankas and strong partnership relationship was evidenced by deposit portfolio growth, which was as high as 17 per cent, and issued new loans, which increased by 11 per cent as compared to the year 2013.

As of 31 December 2014, AB SEB bankas Group's equity was LTL 2.8 billion (LTL 2.6 billion as of 31 December 2013), i.e. increased by 6 per cent. As of 30 June 2014, AB SEB bankas Group's assets were LTL 23.3 billion (LTL 23.6 billion as of 31 December 2013), i.e. decreased by 1 per cent. Since 31 December 2013, AB SEB bankas' deposit portfolio went up by 17 per cent, i.e. from LTL 13.2 billion to LTL 15.5 billion as of 31 December 2014. As of 31 December 2014, net value of AB SEB bankas Group's loans and leasing portfolio was LTL 16.2 billion (LTL 16,6 billion as of 31 December 2013), i.e. decreased by 2 per cent.

Over the year 2014, the amount of new loans issued by AB SEB bankas increased by LTL 5.2 billion as compared to the amount of new loans issued over the year 2013, i.e. increased by 11 per cent.

Net income of AB SEB bankas Group for the year 2014 was LTL 616 million (LTL 586 million for the year 2013), i.e. increased by 5 per cent.

At the close of December 2014, AB SEB bankas Group liquidity ratio was 33.0 per cent (requirement being 30 per cent).

The number of registered SEB Internet Bank users increased by 45 thousand and at the close of the year 2014 was 1.159 million, which is a 4 per cent increase yoy.

As compared to the data of 31 December 2013, the number of cash transactions at cash-in ATMs increased by 26 per cent, and a drop in of cash transactions at the bank's branches over the same period was 32 per cent.

Over a relevant period, an increase in the turnover of payment cards was 3 per cent, and that in the number of POS terminals was 14 per cent. As compared to the data as of 31 December 2013 the proportion of cards transactions against cash settlements transactions increased – at the end of 2014 this proportion was 32/68 while at the end of 2013 it was 29/71.

Last year, an increase in payment transactions made via the Internet was 4 per cent as compared to relevant data as of 31 December 2013.

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At the close of the year 2014, AB SEB bankas had 46 customer service branches all over Lithuania. The ATM network offered to SEB customers is the largest one in Lithuania and includes ATMs of both SEB and DNB banks, i.e. 539 ATMs.

In 2014, AB SEB bankas continued implementing its strategy – to become the homebank for its customers. AB SEB bankas as a long-term customer relationship bank was offering modern universal banking services, provided them in a professional and convenient way with a focus on each customer’s needs and expectations.

During the-year of 2014, the Group continued implementing SEB’s corporate sustainability strategy, which sets eight main corporate sustainability model areas: responsible selling and marketing, tackling financial crime, responsible ownership, reducing our footprint, sustainable finance and investing, access to financial services, a great place to work and investing in communities.

In 2014, AB SEB bankas Group presented new services and improved the existing ones. AB SEB bankas launched its private customer advisory programme, which is aimed at providing quality advice on finance management and planning to customers in various situations in their lives. AB SEB bankas also started offering more added-value services to customers that are expanding their business, applying anew advisory methodology aimed at finding out, together with the customer, possibilities for the implementation of his business idea. AB SEB bankas devoted more time for young people seeking to advise on finance management issues. AB SEB bankas renewed its pension calculation matrix and invited customers to find out what are pension saving possibilities. For small and medium enterprises SEB Bank organised seminars in regions, presenting the data of Business Barometer, a survey of businesses carried out at the end of 2013, as well as relevant business trends. AB SEB bankas updated its Internet Bank for private and corporate customers still better adapting it for smart mobile devices. In the area of payment card issuance, AB SEB bankas had a focus on partnership relations with MasterCard in the Baltic countries and offered a simplified card portfolio for its customers’ convenience. AB SEB bankas continued expanding its network of 24/7 customer self-service areas equipped with cash dispensing all over Lithuania – in 2014, 8 new self-service areas were equipped in total. Also, three first SEB financial advice units were opened in Vilnius (2) and Jonava (1), where special focus is advice on borrowing, saving and investment as well as daily banking issues. At each customer service sub-branches AB SEB bankas has equipped special areas for kids. In preparation for the changeover to the euro, AB SEB bankas arranged a POS terminal campaign, offering companies and private individuals carrying on their own business to try using a POS terminal free-of-charge until the end of the year. At its website www.seb.lt, AB SEB bankas started a column “Infobank”, where information on finance management issues relevant for its users is periodically announced.

In 2014, AB SEB bankas Group sought to provide its customers with valuable information that can help them in creating added value. AB SEB bankas arranged a presentation of Lithuanian Macroeconomic Review publications to customers, together with the Lithuanian National TV implemented the project “Lithuania Will Do It!” with the aim to encourage pro-active people to start business in regions and create jobs. Seeking to stimulate innovations in business it has organised the “Innovation Labs” event for small and medium-sized enterprises. AB SEB bankas held presentations for its customers, presenting publications the “Baltic Household Outlook”, the “Household Financial Assets Barometer”, periodic newsletter “Saving and Investment”, continuously informed customers about financial markets and macroeconomic situation. For the first time, AB SEB bankas presented a survey for chief financial officers of large Baltic companies in which CFOs expressed their insights as to ways in which business conditions could change in the course of six coming months, turnover forecasts, indicated the main challenges.

AB SEB bankas Group was continuously taking part in the implementation of significant sustainability projects – for the twelfth time together TV3 television it arranged and carried out the 2014 Dreams Come True Campaign, for the ninth year in a row awarded the country’s top achievers – secondary school graduates, further participated in the activities of Mentor Lietuva Association.

In 2013, AB SEB bankas Group won important global and local awards: SEB bankas was awarded with the title of the Best Bank in Lithuania (The Banker, Global Finance), the Best Debt and Equity House (Global Finance), the Best Private Bank in Lithuania (Euromoney). Already for a decade AB SEB bankas is one of the three most attractive employers in Lithuania, and in 2014 it ranked number two (Verslo Žinios and CV.lt). AB SEB bankas’ communication project SMEs Advisory won a gold award as a customer campaign at marketing conference Password” as well as a silver award at the best communication projects competition PaRa.

8. Analysis of the Issuer Group’s financial and non-financial activity results

Volume and changes of the Group’s activities are partially reflected by the below data of the balance sheet and profit and loss statements drafted in accordance with the International Financial Reporting Standards (IFRS):

AB SEB bankas group Income and Net profit has increased if compare the year 2014 to the year 2013:

LTL million	2014	2013	Change
Income	616	585	+5%
Costs	(272)	(299)	-9%
Result before losses	344	286	+20%
Credit losses	(19)	(43)	-54%
Operating result	325	243	+33%
Profit tax	(75)	(31)	+140%
Net profit	250	212	+18%

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Income increase during the year 2014 was related to: a) subordinated loan amounting to EUR 100 million was paid back to SEB parent bank in April 2013; as a result, interest expenses have decreased, b) the Bank's Treasury has placed liquidity portfolio with the parent bank starting June 2013; as a result, interest income has increased. Lower credit losses were related to better lending portfolio quality. c) Bank's subsidiary UAB „SEB Venture Capital“ signed few shares transfer agreements.

Costs decrease was related to G4S fine paid back by Tax authority in 2014 1st half (24.8 mLTL).

The main financial ratios:

	Value	Change
Net profit (LTL million)	250	18%
Cost / Income ratio	0,44	-7 b.p.
New loans (LTL billion)	5,2	+11%
Loans & leasing, net value (LTL billion)	16,2	-2%
Deposits (LTL billion)	15,4	+17%

Lending portfolio decrease was caused by conservative expectations from clients side regarding economy development in the future. As a result, new loans are not sufficient to cover loans amortization. Deposits' portfolio increase is driven by euro introduction in 2015.

Some ratios representing the Bank's and the Group's result are presented in the table below:

The Group			Ratio	The Bank		
31-12-2012	31-12-2013	31-12-2014		31-12-2012*	31-12-2013	31-12-2014
0.34 per cent	0.91 per cent	1.07 per cent	Return on Assets	1.71 per cent	0.92 per cent	0.96 per cent
3.55 per cent	8.50 per cent	9.41 per cent	Return on Equity	5.69 per cent	8.93 per cent	8.52 per cent
5.50	13.75	16.18	Earnings per share, LTL	5.67	13.75	14.61
154.52	168.48	178.18	Book value per share, LTL	154.44	168.39	176.52

* - the ratio is calculated not taking into account AB „SEB lizingas“ merger

9. Major events since the end of financial year

On **29 January 2015**, the Bank announced that according to preliminary data, unaudited net profit earned over the year 2014 by AB SEB bankas is LTL 225.6 million (EUR 65.3 million) and by AB SEB bankas Group is LTL 249.9 million (EUR 72.4 million). The result has been calculated in accordance with the requirements set by the acts of the Bank of Lithuania and legal acts of the Republic of Lithuania. Over the year 2013, audited net profit earned by AB SEB bankas totalled LTL 212.3 million (EUR 61.5 million) and by AB SEB bankas Group – LTL 212.3 million (EUR 61.5 million).

10. Issuer Group's activity plans and forecasts

The AB SEB bankas Group in Lithuania aims at long-term and mutually beneficial relations with all customers of the Group. For this purpose, the Bank implements its strategy to be the Home Bank for its customers, where their daily financial matters are managed. As a relationship bank, AB SEB bankas offers modern and universal banking services and provides them in a professional and convenient way with in-depth understanding of each customer's needs and expectations.

The Group, seeking to implement its said strategy and aiming to maintain long-term relations with its customers, also, taking into account the objectives of the SEB Group, envisages the following key trends of activities:

- **Customer relationship strengthening.** Seeking to achieve this objective, the Bank in its activities will continue implementing its Home Bank (or the Home Bank for its customers) strategy. The essence of the Home Bank strategy is to develop new attractive concepts, services and products for the existing and potential customers, taking into account the needs of separate customer segments. The Bank regularly measures its private individual and corporate customer satisfaction according to the NPS indicator.
- **Work culture and people.** The bank, as before, will aim at creating an atmosphere of mutual trust and respect enabling its employees to improve and reveal their potential to a full extent. For measuring its employee satisfaction, the Bank applies Insight methodology used at the entire SEB level – it allows assessing employee involvement in the activities of the organisation as well as the employee performance efficiency.
- **Operational efficiency improvement.** In order to remain an efficiently operating and competitive bank, the Bank plans to have its key focus on the following areas:
 - Income growth, by i) prospecting new income sources, ii) being more advisory,
 - To ensure its profitability, the Bank has formed its transfer pricing, based on business capital concept; business capital are resources required for executing a transaction, and which are assessed taking into account the risk level of a relevant transaction. Business capital is attributed to each customer, at the same time to a relevant subdivision of the Bank.
 - Ensuring cost efficiency, by i) rational setting of priorities both for daily and project tasks, ii) undertaking regular stock-taking of the works in progress with the aim to eliminate overlapping of tasks (functions) thus contributing towards improvement of the internal processes of the organisation.

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- **Risk management improvement.** Risk-taking is not a task in itself, rather, it is aimed at creating value for customers and ensuring return on equity for the shareholders:
 - Use of new more precise risk assessment instruments,
 - Implementation of a more precise real estate indexation methodology,
 - Ensuring compliance with requirements of supervisory institutions (e.g. Basel III requirements)

11. Information about the entity's research and development (R&D) activities

AB SEB bankas Group did not undertake any R&D activities.

12. Major investments made over the reporting period

The Group's investments over the year 2014 into tangible and intangible assets did not make more than 10 per cent of the authorised capital.

AB SEB bankas group acquisitions of tangible and intangible assets during the year 2014 are as follows:

LTL million	2014
Intangible assets	1.4
Vehicles	2.2
Computers	5.4
Other tangible assets	1.9
Reconstruction of leased assets	3.4
Total	14.3

13. Financial risk management objectives, hedge instruments in case of which hedge accounting is applied as well as the entity's price risk, liquidity risk and monetary risk scale

The Group manages its financial risk as described in section *Financial risk management policy* in Note 3 to the Year 2014 consolidated financial reporting. Said section includes also a description of financial risk management objectives, hedging transactions applied as well as the Group's credit risk and market risk level.

14. Information on compliance with the Corporate Governance Code

The Bank, as an issuer of non-equity securities, abides by the recommendatory-character Corporate Governance Code on the management of companies listed "NASDAQ OMX Vilnius", to which it adheres in substance. Reasons for the provisions that it does not adhere to are indicated in the Corporate Governance Code (see Annex 1 of annual financial statements for the year 2014). The Corporate Governance Code and other information on the practice of the governance of AB SEB bankas is announced at the Bank's website www.seb.lt and at the central database of regulated information of the market operator ("NASDAQ OMX Vilnius" stock exchange).

15. Information on risk level and its management

SEB strives for a holistic governance, planning and follow-up system in which business planning, risk management, capital management, liquidity and funding planning, and result and performance management are clearly interconnected and interactive over time. SEB manages the financial consequences of business decisions by focusing on three main aspects: (1) growth, mix and risk of business volumes, (2) capital, funding and liquidity requirements driven by the business, and (3) profitability. Targets are set and reviewed on a regular basis to manage and optimise resources in respect of these three aspects.

Managing risk is a core activity in banking and therefore fundamental for long-term profitability and stability. The overall level of risk that the Bank is willing to accept is set by the Board of Directors based on the guiding principle that taking risk is not an end in itself, but is done for the purpose of creating customer value and sustainable shareholders value. In its overarching risk tolerance statement, the Board lays out its long-term view of the Bank's risk level as well as its view on how the funding is to be structured, what liquidity buffers are required, and the amount of capital that is needed to cover the aggregated risks. The development of risk and capital regulatory requirements are also taken into account.

The risk tolerance statement is highly significant for management's business planning. Risk measurements are set based on the Board's risk tolerance and are reviewed annually. SEB's risk profile in relation to its risk tolerance is followed upon a regular basis by the risk organisation, management and the Board.

The business units are responsible for the risks that arise in their operations. Therefore the first defence against potential future losses is ensuring that correct decisions are made from the start and the resulting risks are managed throughout the life of the transaction. SEB's risk culture is based on long experience, strong customer relationships and sound banking principles, and provides a solid foundation for the Bank's risk governance. The business is supported by Group-wide rules and policies and an established decision-making hierarchy. The business units are responsible for making the initial risk assessment both of the customer relationship and the individually proposed transactions. Larger transactions are then reviewed by the risk organisation. The business units are responsible for ensuring that activities are in compliance with applicable rules.

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The risk and compliance organisations constitute the second line of defence and are independent from the business. The risk organisation is responsible for identifying, measuring and controlling risks. Risks are measured both on a detailed and aggregated level. Risks are controlled through limit structures, both at the transactional and portfolio levels. Asset quality in the credit portfolio is monitored and analysed continuously, among other ways through stress testing and, above all, reverse stress testing. The compliance organisation ensures compliance quality and focuses on compliance issues under direction of the Board and management.

The quality of risk management is reviewed on a regular basis by both internal audit – the third line of defence – and the external auditors.

SEB assumes credit, market, liquidity, operational risks. For more information about specific risk types and their assessment and management instruments see Note 3 *Financial risk management policy* of an explanatory letter to the Year 2014 financial reporting. Over the reporting period there were no substantial changes in risk management.

During the year 2014, AB SEB bankas Group was compliant with all the requirements set by supervisory institutions:

31-12-2012	The Group		Ratio	The Bank		
	31-12-2013	31-12-2014		31-12-2012	31-12-2013	31-12-2014
35.76 percent	38.85 percent	32.95 percent	Liquidity ratio (at least 30%)	35.69 percent	38.81 percent	32.89 percent
15.17 percent*	15.59 percent*	20.47 percent**	Capital adequacy ratio	13.37 percent*	15.51 percent*	20.35 percent**
133.48 percent	75.57 percent	59.25 percent	Maximum open single currency position	148.62 percent	75.51 percent.	58.84 percent
0.22 percent	0.33 percent	1.11 percent	Maximum aggregate open currency position	0.30 percent	0.31 percent	1.12 percent
17.85	18.24	21.871	Maximum loans per single borroweri <= 25 percent of the capital	21.42	19.07	21.95

*- the ratio has been calculated according to Resolution of the Bank of Lithuania 'Regarding general provisions for capital adequacy calculation' No. 138

** - the ratio has been calculated according to the requirements of the European Parliament and Council regulation (EU) No. 575/2013 (effective as of 1 January 2014)

The past year presented new challenges related to negative interest as well as constantly changing geopolitical situation. Economic growth remained robust in 2014, primarily driven by domestic demand while exports contributed positively in the second half of the year. Consumption and investment grew at a considerable rate throughout 2014 despite slightly weaker business and consumer sentiment. Increased geopolitical tension related to Russia-Ukraine conflict affected the economy mainly through the sentiment channel. Contrary to what was expected, the effect on exports (including Russia's trade sanctions) was minimal due to high business flexibility.

Another big challenge for the Bank in terms of time, efforts and resources is to implement in the fast pace new regulatory requirements. The Basel III framework is the process of being implemented in the EU through the CRD IV/CRR package. The new rules set higher requirements on bank's liquidity and capital reserves. Results of the Bank's asset quality review held by European central bank in 2014 showed that AB SEB bankas is well capitalized and funded to meet supervisory requirements.

16. Main characteristics of the company group's internal risk control and risk management systems related to the formation of consolidated financial statements

The Group must ensure the implementation of appropriate organisational measures, procedures and business process support IT systems, the entirety of which would ensure the implementation of adequate internal control system, which, in its turn, would enable providing reliable financial reporting data. The following key elements of the Group's internal control should be mentioned: checking the data on transactions executed in primary systems against transaction data in the accounting system; clear organisational structure and proper segregation of functions, daily accounting of the Group's transactions and relevant reports, based on actual market data, established risk restricting limits and regular control of whether the risk is in line with such limits, internal control elements integrated in business and business support processes as well as other control measures.

17. The Issuer's authorised capital

The Bank's authorised capital registered with the Register of Legal Entities (amount, structure by share type and class, total nominal value) is as follows:

Type of shares	ISIN code	Number of shares	Nominal value (LTL)	Total nominal value	Share within authorized capital (in %)
Ordinary registered shares	LT0000101347	15,441,423	67	1,034,575,341	100.00
In total	-	15,441,423	-	1,034,575,341	100.00

All shares of the Bank are paid up and are not subject to any restrictions in terms of securities assignment.

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18. Shareholders

On 19 November 2010, the squeeze-out procedure of AB SEB bankas shares was finalized. As of December 31, 2014 a 100 % stake in AB SEB bankas represented by its 15,441,423 ordinary registered shares is owned by bank Skandinaviska Enskilda Banken AB (publ) registered with the Enterprise Register of Sweden, its legal form: a public limited company, legal entity number: 502032-9081, domicile address: Kungsträdgårdsgatan 8, Stockholm, the Kingdom of Sweden.

No restrictions on the Bank's shares with regard to voting rights have been imposed, also, no special control rights as per paragraph 5 of Item 3 of Article 25 of the Law of the Republic of Lithuania on Financial Statements of Entities have been established.

19. Information about significant directly or indirectly held blocks of shares

Name	Company code	Address	Type of core activity
UAB "C gates"	120622256	Ukmergės str. 120, Vilnius	Internet, telecommunications, means of communications, TV and radio
UAB "Duonos centras"	302638225	Lvovo str. 25 Vilnius	Bakery, supply

20. Procedure for amending the Issuer's articles of association, rules regulating the election of members to the management board

The Bank's articles of association are amended according to the procedure established by the Company Law of the Republic of Lithuania and by the Law on the Republic of Lithuania on Banks. The Company Law of the Republic of Lithuania establishes, with certain exceptions, that amendment of the articles of association is an exclusive right of the general meeting of shareholders. When taking a decision on amending the articles of association, a 2/3 qualified majority of votes of general meeting of shareholders present at the general meeting of shareholders is required.

The Law on the Republic of Lithuania on Banks establishes that amended articles of association, in case of amending the provisions of the articles of association regarding 1) the name of the Bank; 2) the amount of the Bank's authorised (paid-in) capital; 3) the number of shares, also, their number by classes, their nominal value as well as the rights vested; 4) the competence of the Bank's management bodies, the procedure for the election and revocation of their members, may registered with the Register of Legal Entities only subject to a relevant permission of the supervisory authority, i.e. the Bank of Lithuania.

The Bank's management board is elected by the Bank's supervisory council for a 4 year tenure. If individual members of the board are elected, they are elected only until expiry of the tenure of the existing management board. A decision of the supervisory council to revoke any member from the management board may be adopted, if no less than 2/3 of the supervisory council members present at the meeting vote for it. The number of tenures of a management board member is unlimited. The chairman of the board is elected by the management board from among its members.

21. Data on the Issuer's acquisition/assignment of own shares, powers of the Issuer's bodies to issue and buy up the Issuer's shares.

The Bank has none and during the year 2014 did not acquire its own shares. Also, the Bank's subsidiary companies have not acquired the Bank's shares. During the reporting period, the Bank and its subsidiary companies did not buy or sell their own shares.

The general meeting of the Bank's shareholders has the exclusive right to set the class, number, nominal value and minimum issue price of shares issued by the company and take a decision for the Bank to acquire its own shares.

22. The Issuer's bodies

The articles of association of AB SEB bankas establish that the bodies of the Bank are as follows:

- The General Meeting of Shareholders of the Bank (hereinafter the 'Meeting')
- The Supervisory Council of the Bank (hereinafter the 'Council')
- The Management Board of the Bank (hereinafter the 'Management Board')
- Head of the Bank's administration (president) (hereinafter the 'President').

The competence of the General Meeting of Shareholders and shareholders' rights and their exercising are provided for by the laws of the Republic of Lithuania.

The Management Board and the President are the Bank's management bodies.

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The Council is a collegiate supervisory body carrying out the function of supervision over the Bank's activities. The Council consisting of 5 members is elected by the Meeting. The Council elects the Management Board members and revokes them from their positions, supervises over the activities of the Management Board and the President and has other rights and duties attributed to its competence by acts of law of the Republic of Lithuania and the articles of association of the Bank.

The Management Board is a collegiate management body of the Bank, consisting of 5 members and is elected by the Council. The Management Board manages the Bank, handles its daily matters, represents the Bank's interests and is liable for the financial services of the Bank as prescribed by law. The Management Board elects (appoints) and revokes the President and his deputies and has other rights and duties attributed to its competence by acts of law of the Republic of Lithuania and the articles of association of the Bank. Individual members of the Management Board have no powers granted to them as members of the Management Board, they act jointly as a collegiate body and separately as directors of relevant divisions of AB SEB bankas.

The President acts in the name of the Bank, organizes the Bank's day-to-day activities and has other functions attributed to his competence by laws of the Republic of Lithuania and the articles of association of the Bank.

23. Information on the composition of the management and supervisory bodies and of their committees, their areas of activities as well as those of the head of the company and on the Chief Financial Officer

THE SUPERVISORY COUNCIL OF THE BANK (31 December 2014)

KNUT JONAS MARTIN JOHANSSON

Head of Business Support Division of Swedish bank SEB. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.

Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2009, Chairman of the Supervisory Council since 13 November 2009.

An extraordinary meeting of shareholders held on 29 October 2013 re-elected him for a new tenure. On 13 November 2009 he was elected Chairman of the Supervisory Council, on 14 November 2013 he was re-elected Chairman of the Supervisory Council. Ceased the position after election of a new Chairman of the Supervisory Council on October 9, 2014.

MARK BARRY PAYNE

Head of Finance of SEB Baltic Division. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.

Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2009. An extraordinary meeting of shareholders held on 29 October 2013 re-elected him for a new tenure.

DAVID BAMFORTH TEARE

Head of Baltic Division. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.

Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2013. On 9 October 2014 he was elected Chairman of the Supervisory Council

STEFAN STIGNÄS

Head of Retail Banking, SEB Baltic Division. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.

Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2009. An extraordinary meeting of shareholders held on 29 October 2013 re-elected him for a new tenure.

TED TONY KYLBERG

Head of Procurement and Vendor Management of SEB Business Support Division. Education: university degree, specialisation – law. No shares of the Bank are held by the Member.

Member of the Supervisory Council elected by an annual general meeting of shareholders of SEB Bank held on 25 March 2010. An extraordinary meeting of shareholders held on 29 October 2013 re-elected him for a new tenure.

The tenure of all members of the Supervisory Council expires on 29 October 2017.

THE MANAGEMENT BOARD OF THE BANK (31 December 2014)

RAIMONDAS KVEDARAS

Chairman of the Management Board and President of AB SEB bankas since 19 October 2009. Elected to the Management Board as its Member of on 4 February 2004. Education: higher, specialisation – international finance. No shares of the Bank are held by the Member.

AIVARAS ČIČELIS

Vice President and Head of Corporate Banking Division of AB SEB bankas. Member of the Management Board since 19 October 2009. Education: higher, specialisation – economics. No shares of the Bank are held by the Member.

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ROBERTS BERNIS

Vice President and Head of Credit and Risk Management Division of AB SEB bankas. Member of the Management Board since 19 October 2009. Education: higher, specialisation – engineering. No shares of the Bank are held by the Member.

VIRGINIJUS DOVEIKA

Vice President and Head of Retail Banking Division of AB SEB bankas. Elected to the Management Board as its member on 14 June 2010. Education: higher, specialisation – business administration and management. No shares of the Bank are held by the Member.

JONAS IRŽIKEVIČIUS

Vice President and Head of Business Support Division and Chief Financial Officer of AB SEB bankas. Member of the Management Board since 11 April 2011. Education: higher, specialisation – business administration. No shares of the Bank are held by the Member.

The tenure of all members of the Management Board expires on 7 February 2016 (on 8 February 2012, the Supervisory Council of the Bank took a decision to re-elect the Management Board of the Bank for a new four-year tenure).

CHIEF EXECUTIVE OFFICER

RAIMONDAS KVEDARAS – Chairman of the Management Board and President of AB SEB bankas since 19 October 2009. Elected to the Management Board as its member on 4 February 2004.

CHIEF FINANCIAL OFFICER

JONAS IRŽIKEVIČIUS – Vice President and Head of Business Support Division and Chief Financial Officer of AB SEB bankas. Member of the Management Board and Chief Financial Officer since 11 April 2011.

Over the reporting period, there were no disbursements to members of the Supervisory Council of the Bank.

Information on disbursements over the reporting period to the Management Board members holding also other positions in the Bank is provided in the table below.

	Amounts in connection with labour relations	Property assigned gratis	Guarantees issued in the name of the company
In total to all members of the Management Board (LTL '000) before taxes, of which:	3,734	-	-
amounts based on a labour contract (LTL'000)	2,863	-	-
employer's social security contributions (LTL'000)	871	-	-
Other disbursements, including the employer's social security contributions (LTL'000)**:	377	-	-
Per member of the Management Board on average (LTL'000) before taxes: *	747	-	-
amounts based on a labour contract (LTL'000)	576	-	-
employer's social security contributions (LTL'000)	174	-	-
During the year 2014 calculated amounts to the Company's Chief Executive Officer and Chief Financial Officer (LTL'000) before taxes:	1,326		
amounts calculated to the Company's Chief Executive Officer during the the year 2014 based on labour contract (LTL'000)	809	-	-
amounts calculated to the Company's Chief Financial Officer during the year 2014 based on labour contract (LTL'000)	517	-	-

* The Management Board consists of 5 members.

** Bonus, daily allowances exceeded the set standard.

The Audit and compliance committee is an advisory body to the Bank's supervisory council / management board in of accounting, compliance, audit, risk management, internal audit and control as well as in other areas of the audit committee competence as provided for by relevant existing documents.

The purpose and activities of the committee are to monitor, supervise and to provide recommendations and proposals to the supervisory council / management board regarding:

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-
- efficiency of the Bank's internal audit, risk management and its internal audit systems;
 - drafting of financial reports;
 - implementation of audit and internal audit processes, independence and effectiveness of the internal audit, information provided by the internal audit on the reviews carried out, on the elimination of any drawbacks found and on the implementation of internal audit plans;
 - appointing, repeated appointing and dismissal of the head of internal audit;
 - audit of annual reports and consolidated annual reports;
 - comprehensiveness of data of financial statements;
 - appointing, repeated appointing and dismissal of the Bank's external auditor;
 - establishing terms and remuneration to an external auditor;
 - observance of the principles of independence and fairness by an auditor and an audit company performing an audit, annual assessment of their qualifications, experience, resources and efficiency;
 - formation of policy related to non-audit services provided by an external auditor with the aim to ensure that rendering of said services would have no impact on the independence of such external auditor;
 - internal audit regulations, current-year plan of the internal audit, lists of persons to whom any audit report or its summary version is provided and rules for providing a report;
 - ensuring the resources allocated for the internal audit required for the implementation of set objectives and due qualifications of the internal audit employees for the fulfilment of their functions;
 - enhancing the efficiency of the Bank's processes;
 - meeting the requirements of legal acts and implementation of the principles of good practice of professional activities, initiation of periodical reviews with the aim to assess whether the Bank's activities are in line with the requirements of national laws, legal acts of supervisory authorities as well as any other legal acts or with the provisions of the Bank's the statute (articles of association) and of the Bank's activities strategy;
 - approving the general audit plan of the work of the Bank's internal audit subdivision;
 - other issues that fall within the competence of the committee according to the requirements of laws and legal acts as well as according to the policy and instructions of the Bank and/or the entire Group.

AUDIT AND COMPLIANCE COMMITTEE (31 December 2014)

MARK BARRY PAYNE

Chairman of the Committee. Employer: Skandinaviska Enskilda Banken AB (publ), Head of Finance of SEB Baltic Division. No shares of the Bank held.

GÖRAN RASPE

External auditor. No shares of the Bank are held by the external auditor.

AUŠRA MATUSEVIČIENĖ

Employer: Skandinaviska Enskilda Banken AB (publ), Head of business support CFO. No shares of the Bank held.

BEN WILSON

Employer: Skandinaviska Enskilda Banken AB (publ), Head of Group Finance Control & Reporting. No shares of the Bank held.

ARNOLDS ČULKSTENS

Acting Head of „SEB Trygg Liv Holding AB, Ryga branch“. No shares of the Bank held.

JONAS GUDMUNDSSON

Employer: Skandinaviska Enskilda Banken AB (publ), SEB Baltic Division, Head of Baltic Operations & IT. No shares of the Bank held.

REMUNERATION COMMITTEE

On 9 October 2014 Supervisory Council of the Bank approved members of Remuneration Committee. Information about it's members and functions is described in the article 28 of this report.

24. Employees

As of 31 December 2014, the AB SEB bankas Group in Lithuania (AB SEB bankas, UAB "SEB investicijų valdymas and UAB "SEB Venture Capital") had 1,795 employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave), i.e. by 3.1 per cent more compared to the end of 2013, when the Group had 1,741 employees. As of 31 December 2014, the number of actually working employees (excluding those on maternity/paternity leave) was 1,622, i.e. 6.6 per cent more than at the end of 2013, when the actual number of the Group's employees was 1,522.

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During the year 2014, the number of employees of the Bank alone (working under labour contracts with and without a fixed term, including those on maternity/paternity leave) increased by 3.1 per cent – from 1,731 to 1,785, and the number of the Bank's actually employed employees (excluding those on maternity/paternity leave) was 1,612, i.e. 6.6 per cent more than at the end of 2013, when their number was 1,512.

In the year 2014, the average actual number (excluding the number of employees on maternity/paternity leave) was 1,533 employees (in 2013, it was 1,519 employees).

	The Bank			The Group		
	31-12-2012	31-12-2013	31-12-2014	31-12-2012	31-12-2013	31-12-2014
Regular employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave)	1,808	1,731	1,785	1,823	1,741	1,795
Actually number of employees (excluding those on maternity/paternity leave)	1,550	1,512	1,612	1,564	1,522	1,622

Tables below contain information on the Bank's employees' educational background and average monthly wages (before taxes). Labour contracts or collective bargaining agreements do not provide for any special rights or duties of the issuer's employees or of some of them.

	Number of employees			Average monthly wages (in LTL)		
	31-12-2012	31-12-2013	31-12-2014	31-12-2012	31-12-2013	31-12-2014
Senior management staff	214	200	197	11,080	11,468	11,320
Specialists	1,574	1,510	1,564	3,667	3,740	3,798
Service staff	20	21	24	2,180	2,212	2,227
In total	1,808	1,731	1,785	-	-	-

	Number of employees	University education		College education		Secondary education	
		number	per cent	number	per cent	number	per cent
Senior management staff	197	190	96.5	5	2.5	2	1.0
Specialists	1,564	1,230	78.6	101	6.5	233	14.9
Service staff	24	12	50.0	6	25.5	6	25.5
In total	1,785	1,432	80.2	112	6.3	241	13.5

25. Significant arrangements, the Issuer being a party thereto, which in case of any changes in the Issuer's controlling stake would take effect, change or discontinue

Such significant arrangements are envisaged under the Bank's loan agreements, however these arrangements are not significant.

26. Arrangements between the Issuer and members of its bodies or employees

On 27 January 2014, the administration of the Bank and representatives of the Bank employees signed an updated collective bargaining agreement at a two-year effective period. The present Agreement superseded the Bank's collective bargaining agreement that was effective since 10 February 2012. The collective bargaining agreement regulates labour relations as well as terms and conditions, defines mutual obligations of the employer and the employees, additional incentive measures for the employees as well as other labour relations terms and conditions on which the employees and the employer have mutually agreed, for instance, on a sum-total working hours time, calculation of the employment record, additional vacations, etc. The collective bargaining agreement has been signed by and between the administration of SEB Bank and representatives of the labour council. The labour council of the Bank consists of 15 employees of the Bank elected by secret vote holding different positions at the Bank. The collective bargaining agreement includes the terms and conditions of work and the aspects on which it may be directly agreed with the employer.

Consultations with the Bank's administration is one of the main areas activities of the labour council. The labour council periodically meets with the president of the Bank. At such meetings, implementation of the provisions of the collective bargaining agreement, future changes, also questions as well as observations from employees to members of the labour council are discussed.

There are no separate arrangements regarding severance pays executed with the Issuer's bodies, members of committees or employees, should they resign or be dismissed without a motivated reason.

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27. Information on detrimental transactions executed in the name of the Issuer over the reporting period

The Bank has implemented organisational measures, procedures as well as internal control tools, among them in the area of conflict avoidance and management with the aim that no transactions are executed in the name of the issuer that would not be in line with the company's objectives, the existing regular market conditions or would be in violation of the interests of shareholders or any other groups of persons.

Over the reporting period, there were no detrimental transactions (that are not in line with the objectives of the company, the existing regular market conditions, in violation of the interests of shareholders or any other groups of persons, etc.) executed in the name of the Issuer that have had or that may in future have an adverse effect on the Issuer's activities or its performance, nor any transactions executed in conflict of interest of the duties of the Issuer's senior managers, controlling shareholders or of any other related persons against the Issuer with their private interests and/or other duties.

28. The Group's information on the remuneration policy and its implementation

The information has been drawn up and announced implementing the requirements of Item 25 of Resolution of the Board of the Bank of Lithuania 'Regarding an amendment to the Board of the Bank of Lithuania Resolution 'Regarding minimum requirements for policies of remuneration to credit institution employees' No. 228, dated 10 December 2009', No. 03-175, dated 23 December 2010, also, Resolution of the Board of the Bank of Lithuania 'The requirements for remuneration policies of financial brokerage companies, management companies and investment companies' No. 03-166, dated 12 July 2012.

The Group has its approved remuneration policy, which aligned with the remuneration policy of SEB, the Bank's shareholder. Also, the remuneration policy implements legal acts of the Board of the Bank of Lithuania regulating the requirements for the remuneration policy.

The Group's remuneration policy creates and promotes an internal culture that long-term steers in the benefit of the customers and thus over time will give its shareholders the best return. The competence and commitment of the Group's employees are crucial to the Group's development. The Group encourages to aim at the achievement of top results, adhere to the core values and assume well weighted and balanced risk in line with the expectations of customers and shareholders. Also, the Group aims that the remuneration to its employees is competitive in the markets and segments where the Group operates in order to motivate high performing employees.

- **Information on the remuneration policy decision-taking process in establishing and revising the remuneration policy principles, including information on the remuneration committee (composition and powers), external advisers, if their services were resorted to when developing the policy**

The Group abides by the remuneration policy that was approved by the Bank's supervisory council on 20 March 2014. All of the Group companies have implemented the remuneration policy requirements. When developing said remuneration policy, no services of external advisers were resorted to.

The Bank's Human Resources Department together with the Compliance and Risk control units, annually reviews the Group's remuneration policy and submits proposals on the policy changes. The remuneration policy is approved by the Bank's supervisory council, upon approval of the Group's remuneration committee. The management board of the Bank is responsible for the implementation of the remuneration policy.

The Group's remuneration committee was established, consisting of:

- Chairman of the committee – Head of SEB Business Support (Knut Jonas Martin Johansson);
- Member of the committee – Head of Finance of SEB Baltic Division (Mark Barry Payne);
- Member of the committee – Head of Procurement and Vendor Management of SEB Business Support Division (Ted Tony Kylberg).

Candidates to members of the remuneration committee are approved by the supervisory council of the Bank. Persons related to the Bank or its subsidiary companies by labour relations as well as members of the Bank's management board may not be elected chairman or members of the remuneration committee. None of the members of the remuneration committee has shares in the Bank.

UAB "SEB investicijų valdymas" has no remuneration committee, therefore, the functions of a Remuneration Committee provided for by legal acts are performed by the Supervisory Council of UAB "SEB investicijų valdymas".

The competence of the remuneration committee and its rules of procedure are established by the remuneration committee regulations approved by the supervisory council of the Bank.

The remuneration committee, at the proposal of the president of the Bank, takes decisions on:

- Establishing individual remuneration by position (including pension saving plans) to senior managers, other than members of the board, directly reporting to the president of the Bank;
- allocation of short-term incentive programmes to certain employee groups;
- allocation of the amount of the short-term incentive programme.

The remuneration committee drafts and submits to the Bank's supervisory council for approval:

- the Bank's remuneration policy, any amendments thereto and a list of risk-takers and any amendments thereto
- remuneration by position to the president, board members of the Bank, heads of the Internal Audit Department, Compliance Unit and Risk Control Unit;

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-
- long-term incentive programmes applied to the group employees;
 - pension saving plans applied to the president and board members of the Bank;
 - proposals regarding employee individual remuneration by position, if their amount is equal or exceeds the minimum amount of individual remuneration by position of a board member.

Also, the remuneration committee performs other functions delegated to it by the Bank's supervisory and provided for by the remuneration committee regulations and relevant legal acts.

- **Information on the relation between the remuneration and performance results**

Principles of establishing remuneration are related to the Group employees' performance appraisal results. It means that when establishing remuneration, the appraisal of an employee's performance is taken into account

The Group employees' remuneration consist of the following three elements:

- remuneration by position (or hourly rate);
- variable remuneration, which may be allocated according to the following programmes:
 - o All Employee Programme – SEB's profit allocation programme for all employees of the Group;
 - o individual programme, which is participated by a targeted group of employees and includes variable salary, which may consist of two parts: salary in cash and salary in shares or in any other financial instruments paid out after a certain set period of time;;
- additional benefits.

Remuneration by position (or hourly rate) – it is the wages (base pay) established in an employee's labour contract.

Variable remuneration – it is a variable portion of remuneration, which may be paid to employees as an extra to the remuneration by position – in bonuses, pension saving contributions, rights to the Bank's shares, equity-linked financial instruments, other financial or non-cash instruments, and the amount of which depends on an individual employee's input to the performance of his/her subdivision or of the Group.

Variable remuneration is established so that it would encourage the achievement of not only short-term, but also long-term results of the Group's continued activities, and would encourage to search for long-term strategic solutions that would ensure sustainability of the Group's business development. The whole amount of the variable remuneration paid for a certain period of time is established taking into account the performance during several years and must not threaten the Group's ability to achieve the Group's total positive result over the entire business cycle.

Requirements for the determination and payment of variable remuneration applied with regard to the bank risk-takers are set in the Remuneration Policy.

SEB's All Employee Programme is aimed at the formation of a profit allocation plan applicable at the entire group level that would encourage towards achievement of strong and long-term customer relations. It is a collective profit allocation programme meant for all SEB employees. The amount of a bonus depends on factors indicated in the business plan of Skandinaviska Enskilda Banken AB (publ). 50 per cent of a bonus is disbursed in cash, another 50 per cent share is held for a three-year period and will be disbursed in cash calculating based on the total return of A class shares (TSR) of Skandinaviska Enskilda Banken AB (publ), i.e. based on a change in the price of a share as well as on the allocation of reinvested dividends for SEB shares.

Additional benefit – it includes additional health insurance, saving endowment insurance, additional annual vacation, additional paid vacation to students.

- **The main remuneration policy structure elements, including information on the criteria used for performance appraisal and for risk assessment, risk-based remuneration adjustment, remuneration allocation criteria and deferral principles**

The remuneration policy structure consists of:

- remuneration concept and remuneration package elements;
- remuneration by position;
- variable remuneration;
- additional benefit;
- remuneration policy management and control;
- information disclosure;
- description of the Group's risk-takers and their attribution to said category.

The remuneration policy establishes that principles for the determination and payment of variable remuneration to risk-takers must be in line with the Group's long-term continued activities interests, business strategy, objectives, values, and would encourage reliable and effective risk management, and employees would not be encouraged to take risk that is excessive and unacceptable to the Group.

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At the beginning of each year, annual activity objectives are established for the Group, subdivision and an employee, based on which the performance over a relevant year is appraised. SEB applies a uniform group-wide process for the appraisal and documentation of an employee's performance and behaviour, where the achievement of individual qualitative and quantitative objectives serves for the determination of a relevant remuneration.

Remuneration is related to performance, therefore, the whole amount of the remuneration is based on the overall appraisal of performance of an individual, a subdivision and the Group. The appraisal of each employee's personal input includes not only the employee's input towards the achievement of financial results (quantitative objectives), but also non-financial (qualitative) criteria (for instance, observance of internal rules and procedures as well as standards of the relations with customers and investors).

Variable remuneration to the Group's employees whose professional activities and/or decisions taken may have a significant impact on the risks assumed by the Group is established according to the impact of their decisions on risk. An employee is considered to be able to take decisions that have a significant impact on the risk assumed by the Group (i.e. a risk-taker), if the employee meets at least one of the following criteria:

- employees with leading strategic positions in the Group;
- heads of key business subdivisions with the authority to take decisions that may have a material impact on the group's activity results;
- employees with risk control functions;
- risk-takers, i.e. employees with the right to conclude transactions or assume obligations and/or take decisions and able to have a significant impact on the risk assumed by the bank;
- chairmen of the Group's New Product/Service Approval Committees and members of the Committees;
- employees whose remuneration is equal or exceeds the remuneration of the Group's employees in leading strategic positions.

Variable remuneration for said employees is calculated based on the appraisal of a relevant employee's performance over no less than three to five years, and the actual variable remuneration is paid in portions – over a period that matches the Group's operation cycle and operational risk. No less than 50 per cent of the remuneration to such employees must consist of shares or any other financial instruments.

The deferred variable remuneration portion is allocated proportionately over the entire deferral period, and its payment is started no earlier than after one year since the end of a relevant employee's performance appraisal and shall be effected no more than once a year.

In case of financial instruments that constitute a portion of the variable remuneration, a no less than 12 months' deferral period is applied. Such period is reckoned since the time of granting the rights to the financial instruments. This provision applies both to the deferred variable remuneration portion and to the variable remuneration portion that is not subject to deferral.

- **Performance appraisal criteria, which are the basis for the right to the Bank's shares, equity-linked financial instruments and to other composite parts of the variable remuneration**

Variable remuneration to risk-takers may be disbursed taking into account the following terms:

- sustainability of the Bank's and/or the Group's financial standing;
- implemented annual objectives of an employee, also, adherence to the requirements of the internal legal acts.

Prior to the disbursement of each deferred portion of the variable remuneration and in each case related to its disbursement the above-indicated terms are assessed.

- **General quantitative information on remuneration by business areas**

The tables below contain contractual information on amount before taxes. The information is provided for the year 2014 according to the data as of 31 December 2014.

The Group companies	Base remuneration (LTL '000)	Variable remuneration (LTL '000)	Number of employees
AB SEB bankas	98,086	1,543	1,785
UAB "SEB investicijų valdymas"	766	15	9
UAB "SEB Venture Capital"	137	0	1
In total	98,989	1,558	1,795

* Variable salary planned for the year 2014 based on an individual programme is provided

- **General quantitative information on remuneration to employees, excluding the senior management of the Bank:**
 - financial year annual wage amounts, split into base and variable remuneration portion and the number of individuals thus remunerated:

THE YEAR 2014 CONSOLIDATED ANNUAL REPORT

(all amounts in LTL thousand, unless indicated otherwise)

The Bank	Base remuneration (LTL '000)	Variable remuneration (LTL '000)	Number of individuals thus remunerated
The management board	2,699	527	5
Risk-takers of the Group, excluding members of the management board	6,401	414	34
Employees	88,986	602	1,746
In total	98,086	1,543	1,785

The Group	Base remuneration (LTL '000)	Variable remuneration (LTL '000)	Number of individuals thus remunerated
The management board	3,018	538	7
The Group's risk-takers, excluding members of the management board	6,560	418	38
Employees	89,411	602	1,750
In total	98,989	1,558	1,795

* Variable salary planned for the year 2014 based on an individual programme is provided

- o amounts of the variable remuneration split into payment in cash, pension contributions, shares of the Bank, equity-linked financial instruments and other financial or non-cash instruments:

The Bank	Variable remuneration paid in cash (LTL '000)	Pension contributions (LTL '000)	Shares of the Bank (LTL '000)	Equity-linked financial instruments (LTL '000)
The management board	0	0	0	527
The Group's risk-takers, excluding members of the management board	0	0	0	414
Employees	0	0	0	602
In total	0	0	0	1,543

The Group	Variable remuneration paid in cash (LTL '000)	Pension contributions (LTL '000)	Shares of the Bank (LTL '000)	Equity-linked financial instruments (LTL '000)
The management board	2	0	0	536
The Group's risk-takers, excluding members of the management board	1	0	0	417
Employees	0	0	0	602
In total	3	0	0	1,555

- o amounts of the outstanding deferred remuneration for 2014 split into allocated and non-allocated portions:

The Bank	Deferred variable remuneration (LTL '000)	Allocated deferred variable remuneration (LTL '000)	Non-allocated deferred variable remuneration (LTL '000)
The management board	527	0	527
The Group's risk-takers, excluding members of the management board	414	0	414
Employees	602	0	602
In total	1,543	0	1,543

The Group	Deferred variable remuneration (LTL '000)	Allocated deferred variable remuneration (LTL '000)	Non-allocated deferred variable remuneration (LTL '000)
The management board	536	0	536
The Group's risk-takers, excluding members of the management board	417	0	417
Employees	602	0	602
In total	1,555	0	1,555

THE YEAR 2014 CONSOLIDATED ANNUAL REPORT

(all amounts in LTL thousand, unless indicated otherwise)

- o amounts of the deferred variable remuneration, allocated over a financial year, paid and adjusted taking into account the performance results:

In 2014 the Bank and the Group paid variable remuneration granted in 2011, 2012 and 2013

The Bank	Deferred paid in cash variable remuneration in 2011, 2012 and 2013 (LTL '000)	Equity-linked financial instruments (LTL '000)*
The management board	2	3
The Group's risk-takers, excluding members of the management board	45	60
Employees	0	0
In total	47	63

The Group	Deferred paid in cash variable remuneration in 2011 (LTL '000)	Equity-linked financial instruments (LTL '000)*
The management board	3	5
The Group's risk-takers, excluding members of the management board	45	60
Employees	0	0
In total	48	65

* SEB share price (A class) has been calculated 30-01-2015

- o amount of the guaranteed variable remuneration envisaged under new agreements and the number of individuals thus remunerated:

In 2014, there were no such amounts in the Bank and the Group.

- o amounts related to termination of labour relations allocated over the financial year, the number of individuals thus remunerated and maximum amount allocated to a single individual:

	Number of individuals paid the severance pay	Total amount of severance pays paid upon termination of labour contracts* (LTL '000)	Maximum amount allocated per single individual (LTL '000)*
The Bank	215	2,600	373
The Group	220	2,951	373

* including pays for unused vacation, taxes.


Reasons and criteria for allocation of the variable remuneration portions and all other non-cash benefits

For employees of the Group only the base remuneration – remuneration by position – is established in advance.

Remuneration establishment principles are related to the results of employee performance results. It means that individual remunerations by positions and variable remuneration is established taking into account the employees' performance appraisal.

The Group aims that remuneration for its employees would be competitive in the banking market by establishing an appropriate proportion: (a) between the remuneration by position and variable remuneration, and (b) between long-term and short-term reward. The Group also aims that the total remuneration would reflect the integrity of the employee activities, commitment and leadership qualities required for any definite position, also that it would be established taking into account the appraisal of an individual employee's activities.

President of AB SEB bankas

 Raimondas Kvedaras

Head of Business Support Division and Chief Financial Officer of AB SEB bankas

 Jonas Iržikevičius

Director of Finance Department of AB SEB bankas

 Saulius Salda

Vilnius,
16 March 2015

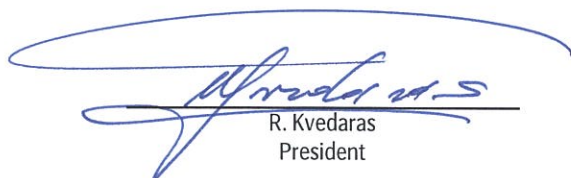
AB SEB bankas
**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in LTL thousand unless otherwise stated)

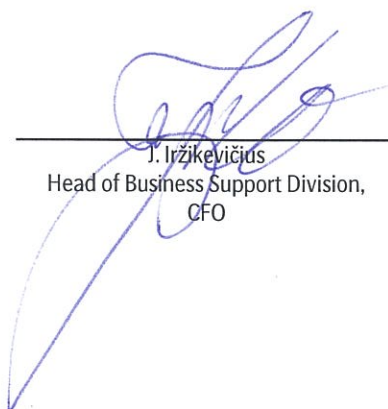
The Group				The Bank	
2014	2013		Note	2014	2013
461,026	470,985	Interest income		461,118	470,505
(144,365)	(182,245)	Interest expenses		(144,386)	(182,262)
316,661	288,740	Net interest income	5	316,732	288,243
(11,752)	(80,673)	Impairment (losses)	6	(11,752)	(80,673)
1,533	33,415	Impairment reversals on lease portfolio (Provisions), reversals for guarantees and other off balance sheet items	6	1,533	33,415
(9,245)	4,567	Other impairment losses reversals		(9,245)	4,567
11	-			11	-
(19,453)	(42,691)	Total impairment (losses)		(19,453)	(42,691)
297,208	246,049	Net interest income after impairment losses		297,279	245,552
270,350	264,799	Fee and commission income	7	257,407	251,656
(71,996)	(67,653)	Fee and commission expenses	7	(68,555)	(66,855)
198,354	197,146	Net fee and commission income		188,852	184,801
7,613	23,406	Net gains on operations with debt securities and derivative financial instruments	9	7,629	23,183
25,630	(1,073)	Net gain (loss) on equity securities	3	(601)	(1,073)
-	-	Dividend income from subsidiaries	8	7,477	7,351
63,010	71,303	Net foreign exchange gain	10	63,039	71,357
5,227	6,171	Other income		5,998	6,666
101,480	99,807	Net investment activities		83,542	107,484
(133,135)	(129,141)	Staff costs	11	(131,610)	(126,813)
(139,082)	(170,332)	Other administrative expenses	12	(137,897)	(168,879)
324,825	243,529	Operating profit		300,166	242,145
324,825	243,529	Profit before income tax		300,166	242,145
(74,919)	(31,220)	Income tax expenses	13	(74,558)	(29,834)
249,906	212,309	Net profit for the year		225,608	212,311
		Attributable to:			
249,906	212,309	Owners of the Bank		225,608	212,311
-	-	Non controlling interest		-	-
249,906	212,309			225,608	212,311
16.18	13.75	Basic and diluted earnings per share (LTL)	14	14.61	13.75

The accompanying notes on pages 29 to 103 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 16 March 2015 and signed by:



R. Kvedaras
President



J. Iržikevičius
Head of Business Support Division,
CFO

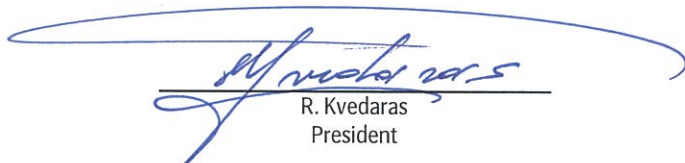
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

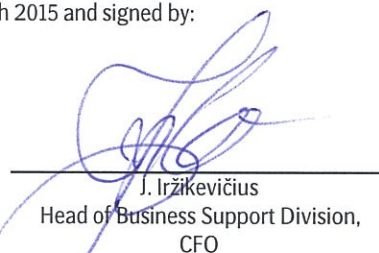
(All amounts in LTL thousand unless otherwise stated)

The Group			The Bank	
2014	2013		2014	2013
249,906	212,309	Net profit for the year	225,608	212,311
		<i>Items that may subsequently be reclassified to the income statement:</i>		
2,064	1,565	Net gain on available for sale assets	2,064	1,565
		Amortisation of financial assets revaluation reserve		
201	256	of reclassified financial assets	201	256
		Income tax relating to the components of other		
(340)	(273)	comprehensive income	(340)	(273)
-	-	<i>Items that will not be reclassified to the income statement:</i>	-	-
1,925	1,548	Total other comprehensive income	1,925	1,548
251,831	213,857	Total comprehensive income	227,533	213,859
		Attributable to:		
251,831	213,857	Owners of the Bank	227,533	213,859
-	-	Non controlling interest	-	-
251,831	213,857		227,533	213,859

The accompanying notes on pages 29 to 103 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 16 March 2015 and signed by:


R. Kvedaras
President


J. Iržikevičius
Head of Business Support Division,
CFO

**STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2014**

(All amounts in LTL thousand unless otherwise stated)

The Group			The Bank	
2014	2013	Note	2014	2013
Assets				
342,529	418,136		342,529	418,136
3,680,417	935,323	15	3,680,417	935,323
832,792	3,691,046	16	832,792	3,691,046
61,422	59,895	17	60,782	59,228
1,267,646	953,982	19	1,195,906	909,613
406,022	259,288	19	406,022	259,288
38,199	86,077	20	38,199	86,077
14,823,443	15,164,544	6, 21	14,856,825	15,191,785
1,356,996	1,428,253	22	1,357,227	1,428,394
189,162	191,126	23	189,162	191,126
200	200	23	200	200
15,045	13,302	23	15,045	13,302
-	-	24	34,900	34,900
38,711	48,239	25	38,711	48,239
27,042	24,643	26	26,659	24,469
2,240	3,924	41	2,240	3,924
10,909	14,047	27	10,909	14,047
129,047	167,633	13	129,039	167,600
81,863	131,288	28	81,096	130,295
23,303,685	23,590,946		23,298,660	23,606,992
Liabilities				
59	33		59	33
4,390,793	7,177,824	29	4,390,793	7,177,824
413,231	270,943	19	413,231	270,943
15,427,569	13,224,857	30	15,451,792	13,245,685
48,092	51,822	32	45,239	50,778
36,953	2,135		36,338	-
72,387	117,556	31	72,387	117,556
163,288	144,249	32	163,157	143,996
20,552,372	20,989,419		20,572,996	21,006,815
Equity				
Equity attributable to owners of the Bank				
1,034,575	1,034,575	33	1,034,575	1,034,575
2,200	2,200		2,200	2,200
(624)	(2,550)		(624)	(2,550)
352,347	289,202		350,472	287,327
10,876	15,731		10,876	15,731
1,351,939	1,262,369		1,328,165	1,262,894
2,751,313	2,601,527		2,725,664	2,600,177
-	-		-	-
2,751,313	2,601,527		2,725,664	2,600,177
23,303,685	23,590,946		23,298,660	23,606,992

The accompanying notes on pages 29 to 103 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 16 March 2015 and signed by:


R. Kvedaras
President


J. Urzikevičius
Head of Business Support Division,
CFO

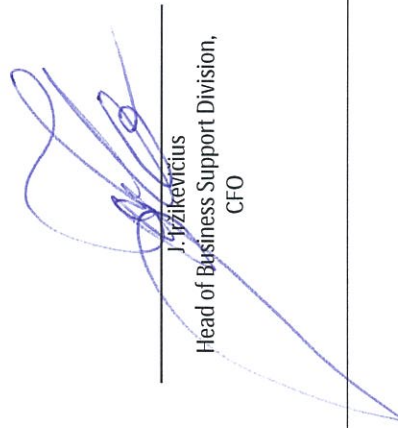
**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**
(All amounts in LTL thousand unless otherwise stated)

The Group	Note	Equity attributable to owners of the Bank							Total Equity	
		Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total before noncontrolling interest		Non controlling interest
31 December 2012		1,034,575	2,200	(4,098)	239,612	14,132	1,126,872	2,413,293	-	2,413,293
Change in fair value measurement of financial assets		-	-	-	-	-	(27,222)	(27,222)	-	(27,222)
Adjusted balance as of 31 December 2012		1,034,575	2,200	(4,098)	239,612	14,132	1,099,650	2,386,071	-	2,386,071
Net change in available for sale investments, net of deferred tax		-	-	1,292	-	-	-	1,292	-	1,292
Amortisation of financial assets revaluation reserve of reclassified financial assets		-	-	256	-	-	-	256	-	256
Net profit for the year		-	-	-	-	-	212,309	212,309	-	212,309
Total comprehensive income		-	-	1,548	-	-	212,309	213,857	-	213,857
Share-based compensation		-	-	-	-	1,599	-	1,599	-	1,599
Transfers to reserves		-	-	-	49,590	-	(49,590)	-	-	-
31 December 2013		1,034,575	2,200	(2,550)	289,202	15,731	1,262,369	2,601,527	-	2,601,527
Net change in available for sale investments, net of deferred tax	33	-	-	1,724	-	-	-	1,724	-	1,724
Amortisation of financial assets revaluation reserve of reclassified financial assets	33	-	-	201	-	-	-	201	-	201
Net profit for the year		-	-	-	-	-	249,906	249,906	-	249,906
Total comprehensive income		-	-	1,925	-	-	249,906	251,831	-	251,831
Other movements		-	-	(6,393)	-	-	6,393	-	-	-
Dividends		-	-	-	-	-	(103,584)	(103,584)	-	(103,584)
Share-based compensation		-	-	-	-	1,538	-	1,538	-	1,538
Transfers to reserves		-	-	-	63,145	-	(63,145)	-	-	-
31 December 2014		1,034,575	2,200	(624)	352,347	10,876	1,351,939	2,751,313	-	2,751,313

The accompanying notes on pages 29 to 103 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 16 March 2015 and signed by:


R. Kvedaravicius
President

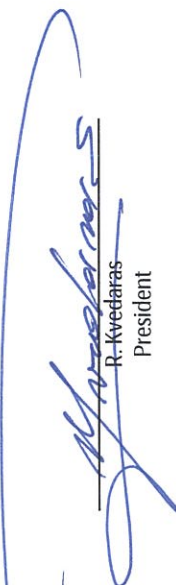

J. Jizikevicius
Head of Business Support Division,
CFO

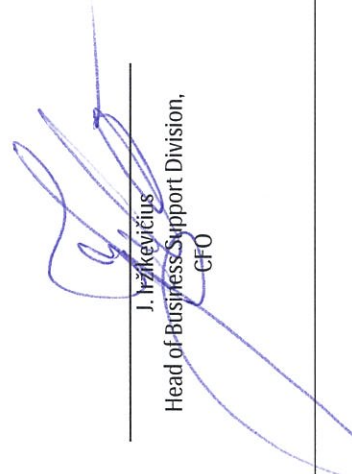
**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**
(All amounts in LTL thousand unless otherwise stated)

The Bank	Note	Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total Equity
31 December 2012		1,034,575	2,200	(4,098)	237,737	14,132	1,127,395	2,411,941
Change in fair value measurement of financial assets		-	-	-	-	-	(27,222)	(27,222)
Adjusted balance as of 31 December 2012		1,034,575	2,200	(4,098)	237,737	14,132	1,100,173	2,384,719
Net change in available for sale investments, net of deferred tax		-	-	1,292	-	-	-	1,292
Amortisation of financial assets revaluation reserve of reclassified financial assets		-	-	256	-	-	-	256
Net profit for the year		-	-	-	-	-	212,311	212,311
<i>Total comprehensive income</i>		-	-	1,548	-	-	212,311	213,859
Share-based compensation		-	-	-	-	1,599	-	1,599
Transfers to reserves		-	-	-	49,590	-	(49,590)	-
31 December 2013		1,034,575	2,200	(2,550)	287,327	15,731	1,262,894	2,600,177
Net change in available for sale investments, net of deferred tax	33	-	-	1,724	-	-	-	1,724
Amortisation of financial assets revaluation reserve of reclassified financial assets	33	-	-	201	-	-	-	201
Net profit for the year		-	-	-	-	-	225,608	225,608
<i>Total comprehensive income</i>		-	-	1,925	-	-	225,608	227,533
Other movements		-	-	-	-	(6,393)	6,393	-
Share-based compensation		-	-	-	-	1,538	-	1,538
Transfers to reserves		-	-	-	63,145	-	(63,145)	-
Dividends		-	-	-	-	-	(103,584)	(103,584)
31 December 2014		1,034,575	2,200	(624)	350,472	10,876	1,328,165	2,725,664

The accompanying notes on pages 29 to 103 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 16 March 2015 and signed by:


 R. Kvedaras
 President


 J. Irzikevicius
 Head of Business Support Division,
 CFO

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in LTL thousand unless otherwise stated)

The Group			The Bank	
2014	2013		2014	2013
			Note	
		Cash from operating activities		
445,819	468,520	Interest income received	444,458	469,058
(154,954)	(201,306)	Interest expenses paid	(154,975)	(201,323)
55,291	57,393	Net foreign currency exchange gain	55,312	57,398
14,978	(2,380)	Net gain (loss) in securities trading and financial instruments	14,978	(2,380)
(8,579)	(5,857)	Net loss in derivatives trading	(8,579)	(5,857)
203,098	203,749	Net commission and service income	194,367	191,899
(135,789)	(133,962)	Staff costs	(134,124)	(131,455)
(110,803)	(141,317)	Other payments	(111,539)	(139,848)
309,061	244,840	Net cash from operating activities before change in operating assets and liabilities	299,898	237,492
		Changes in operating assets		
(2,051,984)	92,210	Decrease (increase) in compulsory balances with the Central Bank	(2,051,984)	92,210
3,135,214	(2,767,194)	Decrease (increase) in due from banks and loans to credit institutions	3,135,214	(2,767,193)
320,946	365,538	Decrease in loans to customers	316,283	363,268
76,994	119,156	Decrease of finance lease receivable	76,904	119,175
12,754	(19,304)	Decrease (increase) in other current assets	12,863	(18,698)
1,493,924	(2,209,594)	Net change in operating assets	1,489,280	(2,211,238)
		Changes in operating liabilities		
2,204,723	441,136	Increase in deposits from public	2,208,118	442,447
47,332	4,161	Increase in accrued expenses, deferred income and other liabilities	48,927	3,327
2,252,055	445,297	Net change in operating liabilities	2,257,045	445,774
4,055,040	(1,519,457)	Net cash from operating activities before income tax	4,046,223	(1,527,972)
-	-	Income tax paid	-	-
4,055,040	(1,519,457)	Net cash from operating activities after income tax	4,046,223	(1,527,972)

(Continued)

The accompanying notes on pages 29 to 103 4 are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in LTL thousand unless otherwise stated)

NOTE 1 GENERAL INFORMATION

AB SEB bankas (hereinafter - the Bank) was registered as a public company in the Enterprise Register of the Republic of Lithuania on 2 March 1990. 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 Statutes of the Bank.

The Head Office of the Bank is located at Gedimino ave. 12, Vilnius. As of 31 December 2014 the Bank had 46 customer service branches (as of 31 December 2013 – 46).

As of 31 December 2014 AB SEB bankas had 2 subsidiaries (as of 31 December 2013 – 2). The Bank and its subsidiaries thereafter are referred to as the Group).

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 leasing activities, is investing and trading in securities as well as performs other activities set in the Law on Banks (except for operations with precious metals). Activities of subsidiaries are explained in note 24.

The Bank's shares are not included in the main or secondary listings of the NASDAQ OMX Vilnius. As it is further disclosed in Note 33, the only shareholder and ultimate parent is Skandinaviska Enskilda Banken AB (publ), owning 100 percent of the Bank's shares.

These consolidated and stand-alone financial statements have been approved by the Board of the Bank on 16 March 2015. Neither the Bank's shareholders nor others have the power to amend the financial statements after issue.

NOTE 2 ADOPTION OF NEW AND REVISED STANDARDS

a) Amendments to existing standards and interpretations effective in 2014 that are applicable to the Bank and Group

IFRS 10, Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014) 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. Adoption of the standard did not have an 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) 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. Adoption of the standard resulted in financial presentation of the Bank and the Group, but did not have any impact on measurement of transactions and balances.

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. Adoption of the standard did not have an 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 amendment had an impact on financial presentation but had no effect on measurement and recognition of financial instruments.

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 amendment did not have an impact on the Bank's and the Group's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in LTL thousand unless otherwise stated)

NOTE 2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

b) 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 interpretation 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in LTL thousand unless otherwise stated)

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

a) Basis of Presentation

These financial statements are presented in national currency of Lithuania, Litas (LTL). Amounts are presented in thousand LTL, unless otherwise stated. Since 2 February 2002 the exchange rate of the Litas was pegged to Euro at a rate of 3.4528 LTL = 1 EUR.

The books and records of the Group companies and the Bank are maintained in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU).

The financial statements are prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, financial assets and liabilities designated at fair value, held for trading and all derivative contracts.

The preparation of financial statements in conformity with IFRS requires 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 of the Group and the stand alone financial statement 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.

b) Basis of Accounting

The financial statements have been prepared in accordance with and comply with IFRS, adopted in the EU. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

c) Consolidated Subsidiaries and Associates

Subsidiaries are all 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 de-consolidated from the date that control ceases. Investments in subsidiaries in the Bank's stand alone financial statements are accounted for using the cost method less impairment and are initially recognized at cost.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Common control business is excluded from the acquisition accounting rules described above. SEB group applies the pooling of interests method (Predecessor accounting), in accounting for business combinations involving entities or businesses under common control. This implies that no assets or liabilities of the combining entities are restated at fair value - carrying amounts at the highest consolidated level are used. No new goodwill is created. The income statement reflects the results of the combining entities for the full year irrespective of when the combination took place.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Associates. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 Investment in Associates, which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change. The Group has no interests in associates through which it carries on its business.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

d) Foreign Currency Translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

e) Income Recognition

Interest income and expense are recognised for all interest bearing instruments on an accrual basis using the effective interest rate method. 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.

Commission and other income is recognised at the time of the related transaction. Commissions incurred in respect of long-term funding provided by financial institutions are deferred and recognised as an adjustment to the effective yield on the loan. All fees that are an integral part of the effective interest rate are amortised using effective interest rate.

Asset management fees related to investment funds are recognised as commissions, i.e. at the time of the related transaction or on pro-rata basis over the period the service is provided, depending on fees' substance. The pro-rata principle is applied for custody services that are continuously provided over an extended period of time.

f) Taxation

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred 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 consolidated and stand-alone 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.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are offset only if the Bank and the Group has a legally enforceable right to set off current tax assets against current tax liabilities and only if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

g) Share-based Payments

Group company employees receive compensation through share-based incentive programmes. The compensation consists of employee stock options (equity instruments), entitling the holder to subscribe for shares in the parent company at a future date and at a predetermined price. The total value of issued stock options is amortised over the vesting period. The vesting period is comprised of the period from the date on which the options are issued until the stipulated vesting conditions are satisfied. The total value of issued stock options equals the fair value per option, multiplied by the number of options that are expected to become exercisable, taking the vesting conditions into consideration. The allocation of this amount implies that profit and loss are impacted at the same time as the corresponding increase in equity is recognised. At each balance sheet date an assessment is made to determine if the vesting conditions will be fulfilled and the extent to which they will be fulfilled. If the conclusion of this assessment is that a lower number of options are expected to be vested during the vesting period, then the previously expensed amounts are reversed through profit or loss. This implies that in cases in which the vesting conditions are not fulfilled, no costs will be reported in profit or loss, seen over the entire vesting period.

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FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

h) Dividend Income

Dividends are recognised in the income statement when the Group's and the Bank's right to receive payment is established.

i) Cash and cash equivalents

Cash, overnight deposits, correspondent accounts with the Central Banks and correspondent accounts with other banks, items which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value are accounted for as cash/cash equivalents in the statement of cash flows.

j) Financial Assets

The Group and the Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss represents two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for selling or repurchasing in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. 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. Interest income on these financial assets is reflected in 'Interest income'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group and the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's and the Bank's management has the positive intention and ability to hold to maturity. Were the Group and the Bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

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

All regular way purchases and sales of financial assets are recognised at settlement date, which is the date that an asset is delivered to or by the Group and the Bank. Otherwise such transactions are treated as derivatives until settlement occurs. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group and the Bank has transferred substantially all risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available for sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

k) Recognition of Deferred Day One Profit and Loss

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

The Group and the Bank has entered into transactions, some of which will mature after more than one year, where fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is recognised immediately in income statement.

l) Derivative Financial Instruments and hedging activities

Derivative financial instruments including foreign exchange contracts, currency swaps and other derivative financial instruments are initially recognised in the statement of financial position at fair value. Any transaction costs are recognised in Profit and loss immediately. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate (except for pricing options). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The fair-value pricing of an OTC derivative depends on market variables (ie interest rates, exchange rates, etc) and the creditworthiness of both counterparties entering into the contract. In this context, a credit valuation adjustment (CVA) is typically defined as the difference between the value of a derivative assuming the counterparty is default-risk free and the value reflecting default risk of the counterparty. Similarly, a debit valuation adjustment (DVA) is typically defined as the difference between the value of the derivative assuming the bank is default-risk free and the value reflecting default risk of the bank. Changes in a bank's own credit risk therefore result in changes in the DVA component of the valuation of the bank's derivatives.

Changes in the fair value of derivatives held for trading are included in 'net gains (losses) on operations with debt securities and derivative financial instruments'.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designates certain derivatives as hedges of the fair value of recognised assets (fair value hedge).

Hedge accounting is used for derivatives designated as hedging instrument provided certain criteria are met. The Group and the Bank documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Bank has fair value hedge relationship where hedging instrument is interest rate swap (see note 19) and hedged item Lithuanian Government Eurobonds (accounted for as available for sale investments until 1 July 2008 and vast majority being reclassified to loans and receivables category starting from 1 July 2008). Hedged risk is fixed interest risk on loans and receivables which could result in the change in fair value of the bonds classified as loans and receivables due to market interest rate volatility. After the reclassification of bonds to loans and receivables category fair value hedge relationships were continued.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement within "Net gains on operations with debt securities and derivative financial instruments", together with any changes in the fair value of the hedged asset that are attributable to the hedged risk (see note 9).

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

m) Impairment of Financial Assets

Assets carried at amortised cost: the Group and the Bank assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

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

If there is objective evidence that an impairment loss on loans and receivables or held to maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

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.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the group of the assets and historical loss experience for assets with credit risk characteristics similar to those of the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a 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, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the income statement.

Provision rates for homogeneous credit groups are set not only by applying statistical methods based on historical data, but also using expert judgement adjustments. Probability of default (PD) and loss given default (LGD) parameters are set once per year. Expert judgement parameters can be updated more frequently depending on objective evidences of portfolio quality development and other particularities of credit portfolio, that are not taken into consideration by quantitative assessment of risk parameters based on historical data.

Assets carried at fair value: The Group and the Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity 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 the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

n) Finance Lease Receivable

Where the Group and Bank is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in the income statement.

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

o) Operating Lease – the Group/the Bank as a Lessor

Assets leased out under operating lease (classified as Investment property or Held for sale) are depreciated over their expected useful lives using straight-line method on the basis consistent with similar owned tangible fixed assets.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

p) Operating Lease – the Group/the Bank as a Lessee

Where the Group and Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

q) Fixed Assets

In the balance sheet fixed assets are recorded at cost less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment with a value less than the equivalent of LTL 900 and intangible fixed assets with a value less than the equivalent of LTL 5,000 are expensed.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining result before income tax. Repairs are charged to the income statement when the expenditure is incurred.

Depreciation and amortisation is calculated using the straight-line method of depreciation based on the estimated useful life of the asset. All amortisation and depreciation charges for the year are included in other administrative expenses. Useful lives of assets and their residual values are reviewed at each balance sheet date.

The following amortisation and depreciation rates are applied in the Group and the Bank for the respective asset category:

Asset category	Depreciation/ amortisation period (years)
Software	3-8
Other intangible assets	3
Buildings	8-25
Vehicles	5
Computer hardware and cash counting equipment	3-8
Office equipment	5
Other property and equipment	5

r) Investment Property

Investments in properties held in order to receive rental income and/or for capital appreciation are reported as investment properties. Investment property is initially measured at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at historical cost less accumulated depreciation and impairment losses. If any indication exists that investment properties may be impaired, the Group and Bank estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with will flow to the Group and Bank and the cost can be measured reliably.

All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment.

Expected useful lives of the investment property groups:

Asset category	Depreciation period (years)
Buildings	25-50

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

s) *Non-Current Assets Held for Sale*

The Group classifies a non-current asset (or disposal group) as held for sale when assets carrying amount will be recovered principally through a sale transaction, the management is committed to sell the asset and an active programme to locate a buyer have been initiated, the asset (or disposal group) is actively marketed for sale at a price that is reasonable in relation to its current fair value and it is expected to complete sale within one year from the date of classification. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets is ceased.

t) *Impairment of Non-Financial Assets*

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

u) *Borrowings*

Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Securities borrowing and lending transactions are entered into on a collateralised basis. Fair value of securities received or delivered is monitored on a daily basis to require or provide additional collateral. Cash collateral delivered is derecognised with a corresponding receivable and cash collateral received is recognized with a corresponding obligation to return it. Securities lent remain on the balance sheet and are reported as pledged assets. Borrowed securities are not recognised as assets. When borrowed securities are sold (short position), an amount corresponding to the fair value of the securities is entered as a liability.

v) *Provisions*

Provisions for disputes and legal claims are recognised when: the Group and Bank 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 has been reliably estimated.

Provisions are measured at the present value of expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specified to the obligation.

w) *Uncertain tax positions*

The Group's and Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

x) *Debt Securities in Issue*

Issued debt securities are classified as financial liabilities, which are repurchased as one amount or in instalments under a certain repayment schedule. Issued debt securities are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. They are measured at amortized cost using the effective interest rate approach.

Some hybrid instruments are measured at fair value through profit (loss) in order to reduce inconsistency that would otherwise arise from using different measurement basis.

Debt securities placed prior to specified issue date are accounted as other liabilities.

If the Group and the Bank purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in net trading income.

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

y) Employee 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 and the Bank recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Social security contributions are paid by the Group and the Bank to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group and the Bank pays fixed contributions into the Fund and will have no legal 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 recognized as an expense on an accrual basis and are included within staff costs.

z) Fiduciary Activities

The Group and the Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

aa) 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.

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 and the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the income statement under 'provisions for guarantees'. Income from financial guarantees is recognised in income statement as fee and commission income.

bb) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors of the Bank. The Board of Directors is responsible for resources allocation and performance assessment of the operating segments and has been identified as the chief operating decision maker.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

cc) Critical Accounting Estimates and Judgements in Applying Accounting Policies

Impairment Losses on Loans and Receivables

The Bank and the Group review their loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group and the Bank make judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. For individually impaired loans if the collateral value differs by +/-5% while other factors are unchanged, the provision for the Bank and the Group would be estimated higher or lower on an average by LTL 1,674 thousand (2013: LTL 23,599 thousand), If the net present value of estimated cash flows differs by +/-5% while other factors are unchanged the provision for the Bank would be estimated higher or lower by LTL 5,055 thousand (2013: LTL 6,364 thousand) of which LTL 3,570 thousand (2013: 4,799 LTL thousand) coming from loans and receivables assessed individually and LTL 1,485 thousand (2013: LTL 1,565 thousand) from loans and receivables assessed on a pool basis. Renegotiated loans are no longer considered to be past due.

Initial Recognition of Related Party Transactions

In the normal course of business the Group and the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Finance Leases and Derecognition of Financial Assets

Management applies judgment 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. The Group considers that risks and rewards are substantially transferred if present value of minimal lease payments amounts to at least substantially all of acquisition value of the asset leased at the inception of the lease; the lessor transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at a price that is expected to be substantially lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; the lease term is for the major part of the economic life of the asset even if title is not transferred; or the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Fair Value of Derivatives

The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. All such not quoted derivative financial transactions are entered with third parties and mirror transactions are entered with SEB group. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. For pricing of options Black-Scholes model is used, with only observable market data (e.g. historical volatility, market interest rates, market prices). Further details of major assumptions of fair values of derivatives provided under this note section *Fair values*.

Tax and deferred tax

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 and Group's books and accounting records and impose additional taxes or fines.

In 2014 the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania conducted a tax inspection of the Bank. Currently a tax dispute process is still ongoing.

The deferred tax assets recognised at 31 December 2014 have been based on future profitability assumptions of the Bank and the Group over a five year horizon following the business plan. The business plan is based on management expectations that are believed to be reasonable under the circumstances. If profitability assumptions (net interest income, net fee and commission income and impairment losses) would change by 5%, there will be no effect to the recognised deferred tax assets as at 31 December 2014 and 2013.

**NOTES TO THE FINANCIAL STATEMENTS
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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

Fair Values

The table below summarises the carrying amounts and fair values of those financial assets and liabilities presented on the Group's statement of financial position at amortized cost:

	2014		2013	
	Book value	Fair value	Book value	Fair value
Balances with the Central Bank	3,680,417	3,679,581	935,323	935,319
Due from banks	832,792	832,102	3,691,046	3,688,435
Loans to credit institutions	38,199	38,358	86,077	86,111
Loans to customers	14,823,443	14,544,759	15,164,544	14,630,340
Investment securities - loans and receivables	189,162	192,810	191,126	194,854
Finance lease receivable	1,356,996	1,355,577	1,428,253	1,423,330
Investment securities – held to maturity	15,045	15,062	13,302	13,240
Total financial assets valued at amortised cost	20,936,054	20,658,250	21,509,671	20,971,629
Due to the Central Bank	59	59	33	33
Due to credit institutions	4,390,793	4,476,573	7,177,824	7,285,084
Current and demand deposits	11,931,794	11,929,655	9,601,360	9,599,479
Term deposits from the public	3,495,775	3,499,803	3,623,497	3,617,644
Debt securities in issue	65,038	66,146	110,247	111,426
Total financial liabilities valued at amortised cost	19,883,459	19,972,236	20,512,961	20,613,666

The table below summarises the carrying amounts and fair values of those financial assets and liabilities presented on the Bank's statement of financial position at amortized cost:

	2014		2013	
	Book value	Fair value	Book value	Fair value
Balances with the Central Bank	3,680,417	3,679,581	935,323	935,319
Due from banks	832,792	832,102	3,691,046	3,688,435
Loans to credit institutions	38,199	38,358	86,077	86,110
Loans to customers	14,856,825	14,578,121	15,191,785	14,657,552
Investment securities - loans and receivables	189,162	192,810	191,126	194,854
Finance lease receivable	1,357,227	1,355,827	1,428,394	1,423,474
Investment securities – held to maturity	15,045	15,062	13,302	13,240
Total financial assets valued at amortised cost	20,969,667	20,691,862	21,537,053	20,998,985
Due to the Central Bank	59	59	33	33
Due to credit institutions	4,390,793	4,476,573	7,177,824	7,285,084
Current and demand deposits	11,943,112	11,940,954	9,607,282	9,605,402
Term deposits from the public	3,508,680	3,512,722	3,638,403	3,632,550
Debt securities in issue	65,038	66,146	110,247	111,426
Total financial liabilities valued at amortised cost	19,907,682	19,996,455	20,533,789	20,634,495

Loans to credit and financial institutions, balances with the Central Bank and other due from banks. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans to customers and finance lease receivable are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted using interest rates for newly issued loans with the similar maturity date.

Investment securities include only interest-bearing assets held to maturity; assets classified as available for sale are measured at fair value.

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

Fair Values (continued)

Due to the Central Bank and credit institutions The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

Deposits from public The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Subordinated loans, debt securities in issue The discounted cash flow model is used using current market rates.

The objective of the fair value measurement is to arrive at the price at which an orderly transaction would take place between market participants at the measurement date under current market conditions. In order to arrive at the fair value of a financial instrument SEB uses different methods; quoted prices in active markets, valuation techniques incorporating observable data and valuation techniques based on internal models. For disclosure purposes, financial instruments carried at fair value are classified in a fair value hierarchy according to the level of market observability of the inputs.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. The objective is to arrive at a price at which a transaction without modification or repackaging would occur in the principal market for the instrument to which SEB has immediate access.

Fair value is generally measured for individual financial instruments, in addition adjustments are made to cover credit risk. To reflect counterparty risk in OTC derivatives, adjustments are made based on the net exposure towards each counterpart. These adjustments are calculated on a counterparty level based on estimates of exposure at default, probability of default and recovery rates. Probability of default and recovery rate information is generally sourced from the CDS markets. For counterparties where this information is not available, or considered unreliable due to the nature of the exposure, alternative approaches are taken where the probability of default is based on generic credit indices for specific industry and /or rating.

Instruments are valued on a daily basis. Valuations are performed using recent and reliable bid prices from at least one external market data provider where the relevance of a traded price is assessed in light of current market movements. Instruments that require models for valuation, are valued using industry standard pricing models with input parameters that are either based on observable market data or, if deemed more appropriate, set or validated by independent risk control function.

Level 1: Quoted market prices

Valuations in Level 1 are determined by reference to unadjusted quoted market prices for identical instruments in active markets where the quoted prices are readily available and the prices represent actual and regularly occurring market transactions on an arm's length basis. Examples of Level 1 financial instruments are listed equity securities, debts securities and exchange-traded derivatives.

Level 2: Valuation techniques with observable inputs

In level 2 valuation techniques, all significant inputs to the valuation models are observable either directly or indirectly. Level 2 valuation techniques include using discounted cash flows, option pricing models, recent transactions and the price of another instrument that is substantially the same.

Examples of observable inputs are foreign currency exchange rates, binding securities price quotations, market interest rates (Libor, etc.), volatilities implied from observable option prices for the same term and actual transactions with one or more external counterparts executed by SEB.

Examples of Level 2 financial instruments are most OTC derivatives such as options and interest rate swaps based on the Libor swap rate or foreign-denominated yield curve.

Level 3: Valuation techniques with significant unobservable inputs

Level 3 valuation techniques incorporate significant inputs that are unobservable. These techniques are generally based on extrapolating from observable inputs for similar instruments, analyzing historical data or other analytical techniques. Examples of Level 3 financial instruments are more complex OTC derivatives, long dated options for which the volatility is extrapolated or derivatives that depend on an unobservable correlation. Other examples are instruments for which there is currently no active market or binding quotes, such as unlisted equity instruments.

Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. There have been no transfers between levels during the years 2014 and 2013, except for those disclosed below.

Financial assets and liabilities presented on the Group's and the Bank's statement of financial position at amortized cost for the year 2014 and 2013 for which fair value is disclosed in the tables above are of level 3 within fair value hierarchy except of Investment securities – loans and receivables (Book value at the end of 2014 LTL 189,162 thousand, at the end of 2013 – LTL 191,126 thousand) that are of level 1.

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

Fair Values (continued)

The table below summarises the hierarchy of fair value measurement of asset and liabilities presented on the Group's statement of financial position at fair value:

	Fair value measurement at the end of reporting period based on:		
	Quoted price in active markets (Level 1)	Valuation techniques using observable inputs (Level 2)	Valuation techniques using non-observable inputs (Level 3)
31 December 2014			
Government securities available for sale	61,422	-	-
Financial assets at fair value through profit and loss	1,195,906	61,614	10,126
Derivative financial instruments (assets)	258	405,764	-
Equity securities – available for sale	-	-	200
Derivative financial instruments (liabilities)	(133)	(413,098)	-
Debt securities in issue	-	(7,349)	-
Total	1,257,453	46,931	10,326

	Fair value measurement at the end of reporting period based on:		
	Quoted price in active markets (Level 1)	Valuation techniques using observable inputs (Level 2)	Valuation techniques using non-observable inputs (Level 3)
31 December 2013			
Government securities available for sale	59,895	-	-
Financial assets at fair value through profit and loss	909,614	-	44,368
Derivative financial instruments (assets)	132	259,141	15
Equity securities – available for sale	-	-	200
Derivative financial instruments (liabilities)	(33)	(270,895)	(15)
Debt securities in issue	-	(7,309)	-
Total	969,608	(19,063)	44,568

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

Fair Values (continued)

The table below summarises the hierarchy of fair value measurement of asset and liabilities presented on the Bank's statement of financial position at fair value:

	Fair value measurement at the end of reporting period based on:		
	Quoted price in active markets (Level 1)	Valuation techniques using observable inputs (Level 2)	Valuation techniques using non-observable inputs (Level 3)
31 December 2014			
Government securities available for sale	60,782	-	-
Financial assets at fair value through profit and loss	1,195,906	-	-
Derivative financial instruments (assets)	258	405,764	-
Equity securities – available for sale	-	-	200
Derivative financial instruments (liabilities)	(133)	(413,098)	-
Debt securities in issue	-	(7,349)	-
Total	1,256,813	(14,683)	200

	Fair value measurement at the end of reporting period based on:		
	Quoted price in active markets (Level 1)	Valuation techniques using observable inputs (Level 2)	Valuation techniques using non-observable inputs (Level 3)
31 December 2013			
Government securities available for sale	59,228	-	-
Financial assets at fair value through profit and loss	909,613	-	-
Derivative financial instruments (assets)	132	259,141	15
Equity securities – available for sale	-	-	200
Derivative financial instruments (liabilities)	(33)	(270,895)	(15)
Debt securities in issue	-	(7,309)	-
Total	968,940	(19,063)	200

**NOTES TO THE FINANCIAL STATEMENTS
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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**
Fair Values (continued)

The table below represents the changes of the Group's Level 3 instruments for the year ended 31 December 2014:

	Balance as of 31 December 2013	Purchases	Sales	Transfers to Level 2	Gain (loss) in Income statement	Balance as of 31 December 2014
Financial assets at fair value through profit and loss	44,368	1,654	513	(61,614)	26,231	10,126
Derivative financial instruments (assets)	15	-	-	-	(15)	-
Investment securities – available for sale	200	-	-	-	-	200
Derivative financial instruments (liabilities)	(15)	-	-	-	15	-

The table below represents the changes of the Group's Level 3 instruments for the year ended 31 December 2013:

	Balance as of 31 December 2012	Purchases	Sales	Gain (loss) in Income statement	Balance as of 31 December 2013
Financial assets at fair value through profit and loss	43,059	1,087	-	223	44,369
Derivative financial instruments (assets)	-	-	-	(15)	(15)
Investment securities – available for sale	200	-	-	-	200
Derivative financial instruments (liabilities)	(1,977)	-	-	1,962	(15)

Level 3 Financial assets at fair value through profit and loss consist of investments held by the venture capital subsidiary of the Group. All financial assets within the Group's venture capital business are managed and its performance is evaluated on a fair value basis in accordance with documented risk management and investment strategies.

The market for these financial instrument is not active therefore fair value at the end of 2013 was established by using valuation techniques based on discounted cash flow analysis. The main inputs used were:

UAB "Duonos centras": discount rate 10.4 percent, discounted terminal value calculated using EBITDA multiplier 5;

UAB "C gates": discount rate 14.4 percent, discounted terminal value calculated using EBITDA multiplier 6.5.

The Group's investment to UAB „Duonos centras” and UAB “C gates” fair value at the end of 2014 was established based on planned selling transaction price, therefore these investments transferred to Level 2. The residual of investment's fair value as at 31 December 2014 is established based on EBIDTA multipliers.

Definition of Risk

AB SEB bankas Group defines the risk as the possibility of a negative deviation from an expected financial outcome. One consequence of risk-taking is the occurrence of losses, which can be broken into expected and unexpected losses. The “normal level” of losses (measured as expected losses) is considered as a cost of doing business from a risk point of view, and is covered through transaction pricing and risk reserves. The Group and the Bank shall make appropriate efforts to minimise expected losses through ensuring sound internal practices and good internal controls. The unusual, large and unexpected losses are not foreseen to be completely absorbed by day to day transaction profits. The primary protections against such losses are sound internal practices, good internal controls, insurance policies and earnings. The last loss-absorbing resource for unexpected losses is the capital of the Bank.

**NOTES TO THE FINANCIAL STATEMENTS
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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

Financial Risk Management Policy

Credit Risk

The Group and the Bank takes on exposure to credit risk which is the risk that a counterpart will be unable to pay amounts in full when due. The definition of credit risk also encompasses so called counterparty's country risk which arises due to the risk of settlements between parties according to trading operations.

The Group's and the Bank's credit policy is based on the principle that any lending transaction must be based on credit analysis. Various credit security instruments are applied depending on the complexity of a transaction and trustworthiness of a customer.

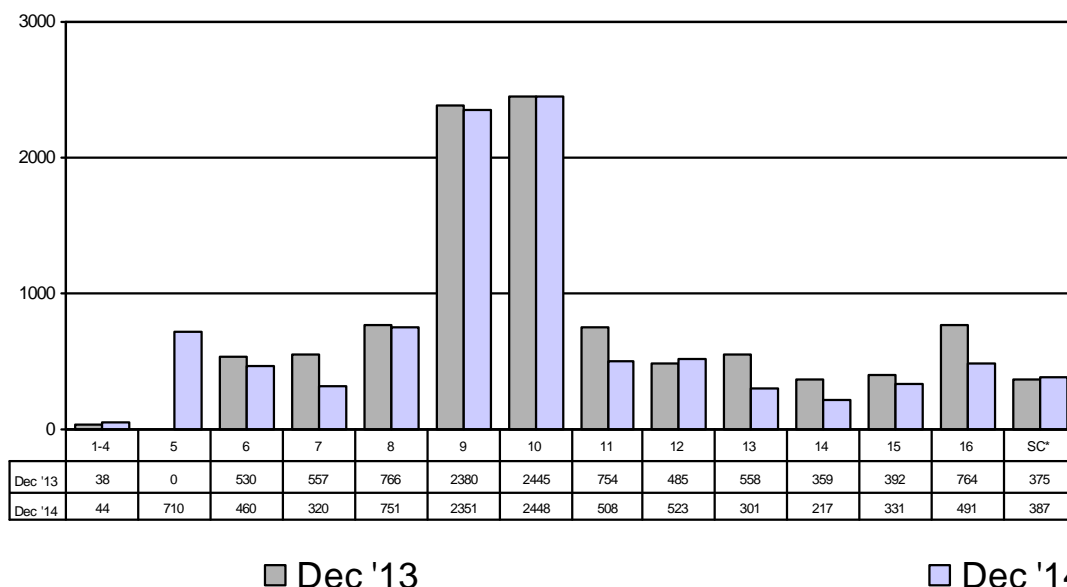
Credit Risk Classification

The Bank got the permission from the regulators to use an IRB (Internal Ratings Based Approach, according to Basel II methodology) models in credit risk assessment process and for the regulatory capital calculation starting from the beginning of 2008 to be applied for the main credit portfolio segments: Corporate (Non-retail), Financial Institutions (Non-retail), Small Corporate (Retail) and Private Individuals (Retail). The Group uses different risk classification systems applicable for particular portfolio segment. The same expert judgment based risk classification systems are used for credit risk assessment of Non-retail credit exposures in all parts of SEB Group. Credits that exceed 0.5 million EUR and/or entities's turnover exceed 10 million EUR are classified as Non-retail positions. The Bank uses the master scale of 16 risk classes classifying the credit risk of Non-Retail borrowers with 1 representing the lowest default probability and 16 representing the default. Risk classes 1-7 are considered investment grade. The borrowers falling into the range of risk class 1-10 are treated as normal business loans. The classification above is applied for loans to customers and finance lease receivables.

The borrowers of risk class 11 and 12 are defined as 'restricted business' and 'special observation' respectively, while the borrowers in risk classes 13-16 are classified as 'watch list'. Risk classes are used as important parameters in the credit policy, the credit approval process, credit risk measurement and management, monitoring and reporting of credit risk. The credit risk assessment is based on analysis of Non-retail borrower's ability to meet interest and principal amount repayment obligations, covering business and financial risk. Financial ratios and peer group comparison are used in the risk assessment. The credit risk of the Non-retail borrowers is reviewed on regular basis at least once per year depending on the risk class assigned to the borrower. High-risk exposures are subject to more frequent reviews. The objective is to identify at an early stage, credit exposures with increased risk for loss, and work together with the customer towards a constructive solution that enables the Group and the Bank to reduce or avoid credit losses as well as maintain long term relationship with the customer.

Scoring models are used in credit risk assessment process of Retail exposures, i.e small enterprises and private individuals. The application scoring models are used for the assessment of counterparty risk (Probability of Default) and transaction risk (Loss Given Default) during customer credit application phase. Due to the fact that credit worthiness of the clients changes over time the Retail exposures are re-scored quarterly by using the behavioural scoring models. The Bank uses the scale from A to E for classification of Retail borrowers credit risk with A representing the lowest default probability and E representing the default.

The information on distribution of individually appraised loans and leasing portfolio (in LTL million) by risk class is as follows:



*SC – small corporates

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

Financial Risk Management Policy (continued)

The analysis in the table above did not include private individuals LTL 6,869 million (2013: LTL 6,980 million), administration fee LTL 14 million (2013: LTL 14 million) and provisions for impairment losses LTL 526 million (2013: LTL 793million).

Impairment losses on Loans and Receivables

The Group, aiming at fair and timely assessment of credit impairment, performs regular credit revision: corporate loans within risk class 8 and higher are revised no less than once a year; revisions of 9–10 risk class corporate loans are performed no less than once a half-year; corporate loans within risk class 11–16, no less than once a quarter; revisions within homogeneous groups (loans to small enterprises, mortgage loans, consumer loans, debts to credit institution) are performed automatically on quarterly basis. Revisions in case of corporate loans within the Bank's established increased risk economy sectors, irrespective of the established borrower risk class, are performed not less than once a quarter. After loan assessment at the established frequency, relevant loss events are identified and relevant loan impairment is assessed. When assessing whether a loss due to impairment must be included in the profit (loss) account, the Group assesses, whether before the determination of the loan impairment there exist any data in proof that it is possible to establish a decrease in forecasted future cash flows of a company within the credit portfolio. The following data are assessed: whether there has or has not been a material deterioration in the borrower's financial standing as well as information related to the assessment of business perspective. A borrower's cash flows are forecasted using a conservative approach, and loan security measures are taken into account – probable adverse change in the assets value, previously sustained losses as well as objective evidence of impairment of the loans within the portfolio.

Methodology and presumptions used in the forecast of future cash flows and time with the aim to reduce a mismatch between forecasted and actual losses are revised on regular basis.

Impairment losses on Loans and Receivables (Continued)

The criteria that the Group and the Bank uses to determine that there is objective evidence of an impairment loss include:

- Downgrading to internal risk class 16;
- Proceeds of the loan without a prior consent of the bank are used for the purposes other than stipulated in the loan agreement and this event has a negative impact on the credit risk of the borrower;
- Breach of investment project covenants having a negative impact on the credit risk of the borrower;
- Related parties of the borrower are in default and this is having impact on the credit risk of the borrower;
- Deterioration of active market for debt securities due to financial distress;
- Deterioration in value of collateral, in cases where repayment conditions are directly related to the value of collateral and earnings method was applied for establishing such collateral value;
- Suspension or withdrawal of license for the borrowers that carry licensed activities (for example trade of oil products, utilities, etc.) and this event has a negative impact on the credit risk of the borrower.
- Declaration of bankruptcy.

The Credit Committee has to carry out an extraordinary credit revision, if the borrower is more than 14 days in delay to repay the loan or pay interest or in case at least one of the above-referred criteria indicating a possible decrease in the loan value is applicable to the borrower/loan. In case loan impairment is found, individual provisions must be formed for a potential credit loss. A loan is classified as an impaired loan, if there is objective evidence that one or more loss events have occurred, and if, as an effect of such events, there has been a change in the estimated future cash flows, for instance, the customer has significant financial problems, fails to pay interest or the principal when due. Loans are not classified as impaired loans, if the collateral value covers the loan and interest.

Provisions for portfolio corporate loans are formed for loans, in case of which no individual impairment has been found, however, a probability exists that impairment will occur, but no such fact has been found yet. Loans with similar risk characteristics are classified taking into account the main factors that have an impact on a borrower's – legal entity's – credit risk, and impairment provisions for them are formed taking into account the default probability within relevant classes.

The portfolio based assessment is applied to the following homogeneous credit groups having the similar risk characteristics: mortgage loans, consumer loans, credit cards, small corporate loans. The collective provisions for the homogeneous credit groups are formed by applying statistical methods based on historical data about the observed default frequencies of the borrowers (PD) and the suffered losses (LGD) within the corresponding homogeneous credit group and expert judgment adjustments considering historical experience of adequacy of provisioning levels, objective evidences of portfolio quality development, adequacy of security of particular portfolio and other particularities of credit portfolio, that are not taken into consideration by quantitative assessment.

An impairment loss is reported as a write off, if it is deemed impossible to collect the contractual amounts due that have not been paid and/or are expected to remain unpaid, or if it is deemed impossible to recover the carrying amount by selling any collateral provided. In other cases, a specific provision is recorded in an allowance account. As soon as the non-collectible amount can be determined and the asset is written off, the amount reported in the allowance account is dissolved. Similarly, the provision in the allowance account is reversed if the estimated recovery value exceeds the carrying amount.

**NOTES TO THE FINANCIAL STATEMENTS
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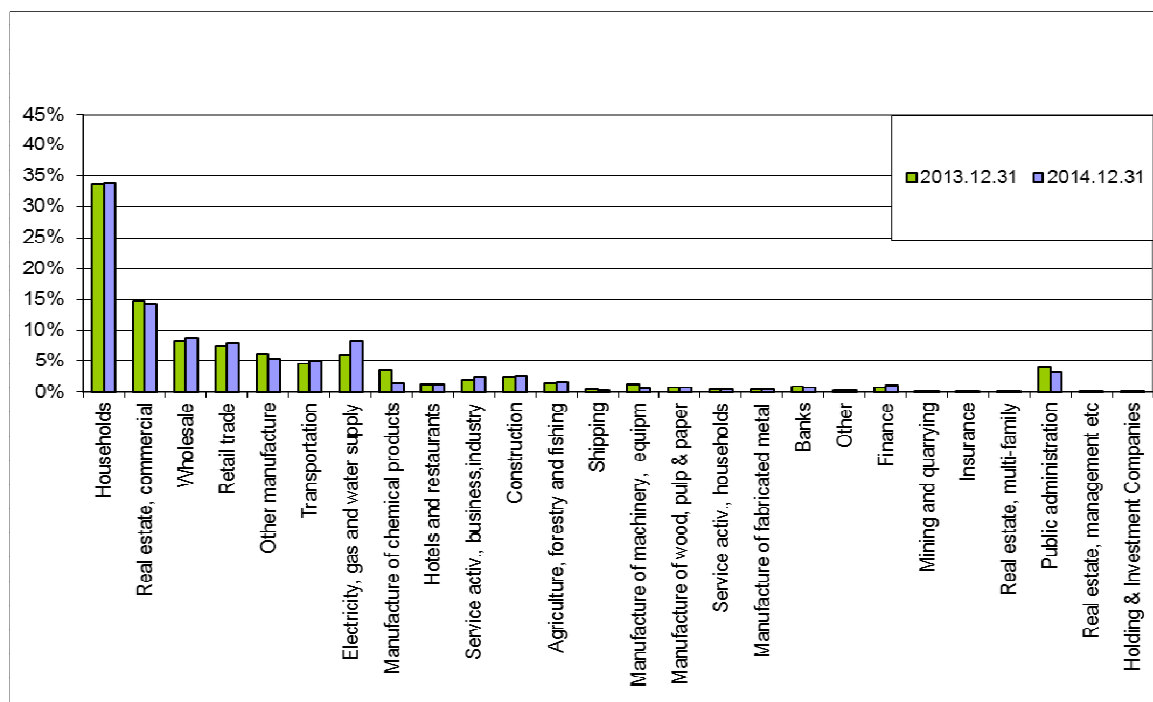
**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

Financial Risk Management Policy (continued)

Credit Risk Limits and Monitoring

The Group and the Bank structures the levels of credit portfolio risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. The credit risk exposure to a single borrower or borrowers' groups and the industries are monitored on a regular basis. Credit concentration exposure limits are established by Assets and liability management committee (ALCO) and regularly monitored by risk control function. As of 31 December 2014, credit exposures are in compliance with limits set by ALCO. The table below represents the development of credit exposures within particular industries.

Credit Risk Limits and Monitoring (continued)



**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

Financial Risk Management Policy (continued)

Maximum Exposure to Credit Risk Before Collateral Held or Other Credit Enhancements

The below table represents a worse case scenario of credit risk exposure to the Group and the Bank as of 31 December 2014 and 2013, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out below are based on net carrying amounts as reported in the balance sheet.

The Group			The Bank	
2014	2013		2014	2013
3,680,417	935,323	Balances with the Central Bank	3,680,417	935,323
832,792	3,691,046	Due from banks	832,792	3,691,046
61,422	59,895	Government securities available for sale	60,782	59,228
1,195,907	909,613	Financial assets at fair value through profit and loss	1,195,906	909,613
406,022	259,288	Derivative financial instruments	406,022	259,288
38,199	86,077	Loans to credit institutions	38,199	86,077
		Loans to customers		
2,264,020	2,484,660	Property management	2,264,020	2,484,660
5,611,105	5,666,902	Other corporate	5,644,487	5,694,143
368,584	409,035	Public	368,584	409,035
5,926,839	5,875,230	Mortgage loans	5,926,839	5,875,230
652,895	728,717	Other private individuals	652,895	728,717
		Finance lease receivable		
1,285,937	1,369,514	Corporate	1,285,937	1,369,655
62,673	49,664	Private individuals	62,673	49,664
8,386	9,075	Other	8,617	9,075
		Investment securities:		
189,162	191,126	- loans and receivables	189,162	191,126
15,045	13,302	- held to maturity	15,045	13,302
50,559	104,168	Other financial assets	52,076	105,823
		Credit risk exposures relating to off-balance sheet items		
3,381,408	2,915,536	Agreements to grant loans	3,388,887	2,920,735
451,185	610,245	Guarantees issued	451,185	610,245
171,105	132,090	Letters of credit issued	171,105	132,090
42,485	39,798	Commitments to purchase assets	42,485	39,798
38	38	Customs guarantees collateralised by deposits	38	38
26,696,185	26,540,342	Total as of 31 December	26,738,153	26,573,911

Loans and receivables category include Balances with Central Bank, Due from banks, Loans to credit institutions, Loans to customers, Finance lease receivables and Investment securities – loans and receivables classes.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group and the Bank resulting from both its loan and receivables portfolio and debt securities. For information on loan ratings see Credit risk management note information above. 100% of investments in Government securities compose of Government debt securities that have an investing rating.

Market Risk

Market risk is defined as the risk of a loss or reduction of future net income following changes in interest rates, credit spreads, foreign exchange and equity prices, including price risk in connection with the sale of assets or closing of positions.

According to the type of financial risk, market risk is classified into trading risk (Trading Book risk) and structural risk of a mismatch between assets and liabilities (Banking Book risk), which has an impact on the positions of the group's interest rate sensitive assets and liabilities as well as off-balance sheet items and is defined as the risk of a loss of the group's net interest income and a decrease in the market value of liabilities. The overall market risk exposure (trading and non-trading) is measured using Value-at-Risk (VaR) model based on historical simulation method that express the maximum potential loss that can arise at a chosen level of probability during a certain period of time. Trading risk is measured on daily basis using 99 percent probability level and 10 days time horizon. VaR exposure for non-trading positions is calculated on a daily basis using 1 day's assessment evaluation period and 99 percent probability level. Historical data are based on 250 days for estimation of volatility and correlation. Additionally the Bank uses the sensitivity measures applied for risk assessment of specific market risk type/portfolio/position: delta 1 p.p. is applied for interest rate sensitive portfolios/positions, delta/gama/vega measures – for options, etc. Value at Risk assessment results on the total portfolio positions are shown in Note 38.

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

Financial Risk Management Policy (continued)

Currency Risk

Foreign Exchange Risk exposure is defined by two measures: single open currency position against LTL and aggregated general open currency - the bigger one of summarized long and short open currency positions. The foreign exchange risk measure contains the net exposure of spot and forward positions, FX futures including gold, the delta equivalent position of FX options plus other balance sheet items. The currency risk control is ensured by monitoring the risk exposure against the limits established for single open currency position.

The net positions of assets and liabilities denominated in foreign currencies as of 31 December 2014 and 2013 are presented in Note 37.

Interest Rate Risk

Interest rate risk is managed by forecasting the market interest rates and managing the mismatches between assets and liabilities by re-pricing maturities. The Bank applies the interest rate risk management methods allowing to measure the Group's sensitivity to interest rate changes by computing the impact to the net effect to the market value of shareholders equity (called delta 1%) in case of parallel shift by percentage point in the yield curve.

The interest rate risk management as of 31 December 2014 and 2013 is presented in Note 38.

Credit risk margin risk is defined as a risk that the value of debt securities will decrease as a result of a change in the issuer's credit risk. This type of risk is calculated using the VaR (Value-at-Risk) model. Risk is managed by setting limits for investments in debt securities.

The credit risk margin risk management as of 31 December 2014 and 2013 is presented in Note 38.

Liquidity Risk

Liquidity risk is the risk that the Group and the Bank may be unable to timely fulfil its payment obligations or to finance or realize its assets over the certain period at an acceptable price. The Group and the Bank adheres to a conservative liquidity risk management policy that ensures adequate fulfilment of current financial obligations, the level of obligatory reserves with the Central Bank, liquidity ratio higher than that established by the Bank of Lithuania and payment capacity under unforeseen unfavourable circumstances. The liquidity risk management system is based on the analysis of actual cash flows.

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group and the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows and outflows.

The Group's undiscounted non-derivative financial liability analysis as of 31 December 2014:

Maturity	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit institutions	1,754,928	8,299	701,395	1,913,422	86,805	4,464,849
Deposits from public	13,600,225	700,957	1,001,156	109,830	17,243	15,429,411
Debt securities in issue and subordinated loans	2,458	7,162	5,884	57,300	1,908	74,713
Other financial liabilities	92,826	8,088	7,940	1,213	10,263	120,330
Total undiscounted non- derivative financial liabilities	15,450,438	724,506	1,716,375	2,081,765	116,219	20,089,303
Commitments to grant loans	2,941,229	228,485	177,803	21,834	12,057	3,381,408
Guarantees	451,223	-	-	-	-	451,223
Letters of credit issued	49,433	10,972	33,167	77,533	-	171,105
Operating lease commitments	7,154	6,728	13,264	49,800	66,281	143,227
Commitments related to leasing	39,253	2,410	822	-	-	42,485

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**
Financial Risk Management Policy (continued)
Liquidity Risk (continued)

The Group's undiscounted non-derivative financial liability analysis as of 31 December 2013:

Maturity	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit institutions	1,887,274	419,809	1,117,728	2,998,569	883,460	7,306,840
Deposits from public	11,382,963	769,752	933,512	125,296	14,749	13,226,271
Debt securities in issue and subordinated loans	25,653	17,239	19,525	43,948	14,804	121,169
Other financial liabilities	83,653	9,538	13,438	820	4,085	111,534
Total undiscounted non-derivative financial liabilities	13,379,543	1,216,338	2,084,203	3,168,632	917,097	20,765,813
Commitments to grant loans	2,529,958	184,455	125,625	49,561	25,938	2,915,537
Guarantees	610,283	-	-	-	-	610,283
Letters of credit issued	68,550	29,861	32,423	1,255	-	132,089
Operating lease commitments	7,872	7,736	14,464	67,939	34,688	132,699
Commitments related to leasing	39,313	485	-	-	-	39,798

The Bank's undiscounted non-derivative financial liability analysis as of 31 December 2014:

Maturity	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit institutions	1,754,928	8,299	701,395	1,913,422	86,805	4,464,849
Deposits from public	13,624,449	700,957	1,001,156	109,830	17,243	15,453,635
Debt securities in issue and subordinated loans	2,458	7,162	5,884	57,300	1,908	74,713
Other financial liabilities	92,821	8,086	7,934	1,187	10,263	120,291
Total undiscounted non-derivative financial liabilities	15,474,657	724,504	1,716,369	2,081,739	116,219	20,113,488
Commitments to grant loans	2,948,708	228,485	177,803	21,834	12,057	3,388,887
Guarantees	451,223	-	-	-	-	451,223
Letters of credit issued	49,433	10,972	33,167	77,533	-	171,105
Operating lease commitments	7,154	6,728	13,264	49,800	66,281	143,227
Commitments related to leasing	39,253	2,410	822	-	-	42,485

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**
Financial Risk Management Policy (continued)
Liquidity Risk (continued)

The Bank's undiscounted non-derivative financial liability analysis as of 31 December 2013:

Maturity	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit institutions	1,887,274	419,809	1,117,728	2,998,569	883,460	7,306,840
Deposits from public	11,403,792	769,752	933,512	125,296	14,749	13,247,100
Debt securities in issue and subordinated loans	25,653	17,239	19,525	43,948	14,804	121,169
Other financial liabilities	83,653	9,538	13,438	820	4,085	111,534
Total undiscounted non-derivative financial liabilities	13,400,372	1,216,338	2,084,203	3,168,632	917,097	20,786,642
Commitments to grant loans	2,535,157	184,455	125,625	49,561	25,938	2,920,736
Guarantees	610,283	-	-	-	-	610,283
Letters of credit issued	68,550	29,861	32,423	1,255	-	132,089
Operating lease commitments	7,872	7,736	14,464	67,939	34,688	132,699
Commitments related to leasing	39,313	485	0	-	-	39,798

Undiscounted derivative instruments analysis for the Group and the Bank as of 31 December 2014:

Maturity	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
IRS	1,987,373	6,479	101,700	405,972	2,927,945	5,429,469
FX forwards	29,187	1,759	691	-	-	31,637
FX swaps	3,251,062	-	229	-	-	3,251,291
Equity options	587	111	508	3,590	56	4,851
Currency options	592					592
Total outflows	5,268,800	8,349	103,128	409,562	2,928,001	8,717,841
Inflows:						
IRS	1,980,807	6,274	103,336	400,139	2,932,216	5,422,772
FX forwards	28,805	2,179	694	-	-	31,678
FX swaps	3,251,108	-	207	-	-	3,251,315
Equity options	587	111	508	3,590	56	4,851
Currency options	592					592
Total inflows	5,261,898	8,564	104,744	403,729	2,932,272	8,711,207

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**
Financial Risk Management Policy (continued)
Liquidity Risk (continued)

Undiscounted derivative instruments analysis for the Group and the Bank as of 31 December 2013:

Maturity	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
IRS	157,482	9,165	156,282	2,165,354	2,871,751	5,360,035
FX forwards	46,965	7,453	3,655	-	-	58,073
FX swaps	63,915	-	41,434	-	-	105,349
Equity options	117	698	791	1,932	149	3,687
Interest rate options	-	-	-	1	9	10
Currency options	2,986	2,103	1,264	-	-	6,353
Total outflows	271,465	19,420	203,425	2,167,288	2,871,909	5,533,506
Inflows:						
IRS	150,985	8,966	158,992	2,155,303	2,877,502	5,351,748
FX forwards	46,336	7,564	3,520	-	-	57,420
FX swaps	64,184	-	41,764	-	-	105,948
Equity options	117	698	791	1,932	149	3,687
Interest rate options	-	-	-	1	9	10
Currency options	2,986	2,104	1,264	-	-	6,353
Total inflows	264,607	19,332	206,331	2,157,236	2,877,660	5,525,166

In the tables above net-settled derivatives are included in the analysis only if they have a negative fair value at the balance sheet date (if they are liabilities at that date). However all gross-settled derivatives are included in the analysis whether their fair value is negative or positive at balance sheet date. Pay leg of such derivatives is presented as outflow and receive leg as inflow. The maturity of the Group's and Bank's assets and liabilities is presented in Note 35 and shows the remaining period from the balance sheet date to the contractual maturity.

The maturity of the leasing portfolio is presented in Note 35 and shows the remaining period from the balance sheet date to the contractual maturity.

Capital Adequacy

Capital adequacy is assessed by capital adequacy ratio – capital base compared to risk exposure amount.

General Regulations for the Internal Capital Adequacy Assessment Process (ICAAP) came into effect as from 1 January 2007. In accordance to these regulations, banks' should identify all risks, not only the ones assessed in capital adequacy calculation, to select risk assessment models, estimate it, choose tools for risks management, and to set a goal for limits. Accordingly, the Bank set a goal to achieve ICAAP result and continuously have had capital adequacy higher than 12 per cent during 2014.

The Bank's and the Financial Group's capital adequacy ratios at the end of 2014 and 2013 were as follows:

	31 December 2013	31 December 2014
The Bank	15.51%	20.47%
The Financial Group	15.59%	20.35%

For further information see Note 36.

Maximum exposure per single borrower and Large exposure requirements

Maximum exposure per single borrower - the amount of loans to a single borrower, taking into account the impact of credit risk mitigation measures, shall not be above 25 per cent of the bank's eligible capital. When the client is an institution (bank or investment company) or when a group of connected clients includes one or several institutions, that value shall not be above 25 per cent of the institution's eligible capital, or EUR 150 million (taking into account which of the values is larger). The amount of loans granted by the bank to its parent undertaking, other subsidiaries of this parent undertaking is not limited if the whole financial group's supervision on a consolidated basis is carried out following the Capital Requirements Directive and Regulation (CRDIV/CRR) or analogous standards effective in a third country.

The Bank met these requirements at the end of the reporting period as well as during reporting period

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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**

Financial Risk Management Policy (continued)

Operational Risk

Operating risk is defined as the risk of loss due to external events (natural disasters, external crime, etc) or internal factors (e.g. breakdown of IT systems, mistakes, fraud, non-compliance with external and internal rules, other deficiencies in internal controls).

Since 2008 Bank has got the permission from regulators to use AMA (Advanced Measurement Approach) model for operational risk assessment and operational risk regulatory capital calculation.

The Bank has developed several operational risk management tools: Operational risk policy, ORSA (Operational Risk Self Assessment) and RTSA (Rogue Trading Self Assessment) processes, requirements for Business Contingency management, New or amended product/process approval process and etc.

The Bank has launched and continuously uses SEB Group-wide operational risk management system ORMIS, NAMIS & LDRPS. In the Operational Risk Management Information System (ORMIS) all employees can register operational risk events and managers in all levels can assess, monitor and manage risks as well as produce various reports. Other two systems are used for development of new products and/or services (NAMIS) and business contingency planning (LDRPS).

In order to achieve the most comprehensive operational risk assessment ORSA and RTSA methodologies are applied as well as different internal control processes performed on regular basis. Operational risk committee is established in the Bank in order to ensure proper operational risk management and adequate cooperation between risk management and risk control functions.

The Bank's management board is provided with quarterly operational risk reports covering an overview of new operational risk cases found, efficiency of the operational risk management instruments used as well as other identified risks.

Stress Testing

Stress tests and scenario analysis are widely used to identify high-risk areas and relationships including concentration risks, its risk drivers and to evaluate the combined effect of shocks in the market. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Credits and Risk division and includes the risk factor stress testing, where stress movements are applied to each risk category: market, credit, liquidity and operational risk. The ultimate goal of the analysis is to estimate net effect of the stress scenarios to the capital of the Bank and the Group and prepare the action plan ensuring that the business operations shall be secured in case the worst case scenario occurs. The comprehensive scenario based stress testing covering all appropriate risk types is conducted at least annually and reported to the Management Board. The stress testing of the Group is part of Internal Capital Assessment Process (ICAAP).

Internal Control

Management of the Bank and heads of subsidiaries has a responsibility to ensure that the appropriate organisation, procedures and support systems are implemented to ensure that a sufficient system of internal controls, such as reconciliation to position of the systems and accounting ledgers, segregation of duties, confirmations, daily bookkeeping, market valuations, limits and limit follow-up, etc., is implemented. At the end of the previous year, the secondary control centralisation of the internal accounts helping to implement a requirement of clear differentiation of functions in this area was started.

Limits shall be one way to manage risks where applicable and possible. A system for limiting and following up the amount of risk to be taken is implemented. The Board of Directors of SEB sets the overall limits in terms of risk in SEB. SEB Group ALCO sets the overall limits to AB SEB bankas at the proposal of ALCO of AB SEB bankas. A decision on the limit mandate must be formalised in a written form. A three-level control system is functioning at the bank: relevant business units are responsible for management of the risks occurring in their activities, the compliance and risk control units ensure that instructions, rules and control mechanisms are effective, the internal audit unit inspects integrity and efficiency of the entire system of the bank.

Recent Volatility in Economic Situation

As of Jan 1, 2015, Lithuania joined euro zone what has been beneficial to the country's economy, including greater financial stability, lower financial costs for companies and households as well as increased motivation for foreign investment. Economic growth remained robust in 2014, primarily driven by domestic demand while exports contributed positively in the second half of the year. Consumption and investment grew at a considerable rate throughout 2014 despite slightly weaker business and consumer sentiment. Increased geopolitical tension related to Russia-Ukraine conflict affected the economy mainly through the sentiment channel. Contrary to what was expected, the effect on exports (including Russia's trade sanctions) was minimal due to high business flexibility.

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors of the Bank. The Board of Directors is responsible for resources allocation and performance assessment of the operating segments and has been identified as the chief operating decision maker.

Chief operating decision maker analyses the Group's profit (loss), total assets and total liabilities using the same measures as presented for the financial reporting purposes.

Eliminations from total segments' assets and liabilities and interest income and expenses relate to elimination of intra-segment financing amounts.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

Information about revenues from external customers for each product and service delivered by the Bank and the Group is not disclosed as such information is not analysed on the Group level and therefore it is not available and the cost to develop it would be excessive.

For management and reporting purposes, the Group is organised into the following business groupings:

Baltic Division has overall responsibility for providing retail services to all types of companies and individuals. Baltic division offers its clients solutions in the areas of:

- Lending;
- Leasing and factoring products;
- Liquidity management and payment services;
- Private Banking – which serves the higher end of the private individual segment with wealth management services and advisory services.

All depreciation and amortization expenses (except for Asset Management) are attributed to this segment.

The Merchant Banking division has overall responsibility for servicing large and medium-sized companies, financial institutions, banks, and commercial real estate clients. Merchant Banking offers its clients integrated investment and corporate banking solutions, including the investment banking activities. Merchant Banking's main areas of activity include:

- Lending and debt capital markets;
- Trading in equities, currencies, fixed income, derivatives and futures;
- Advisory services, brokerage, research and trading strategies within equity, fixed income and foreign exchange markets;
- Cash management;
- Custody and fund services;
- Venture capital.

The Asset Management division's main business area is Institutional Clients– which provides asset management services to institutions, foundations and life insurance companies and is responsible for the investment management, marketing and sales of SEB's mutual funds.

The division offers a full spectrum of asset management and advisory services and its product range includes equity and fixed income, private equity, real estate and hedge fund management.

The Treasury division is overall responsible for cash management, liquidity management and internal financing between the Group divisions.

Operations and IT divisions are the Group's internal segments responsible for providing operations support and processing, as well as information technologies services for all Group's divisions. In addition, Operations divisions handles bookings, confirmations, payments and reconciliations, and customer service and support.

Staff Functions division has dedicated responsibilities in order to support the business units within own area of expertise: HR, finance, marketing and communication, credits and risk control, security, procurement and real estate, compliance, internal audit.

The geographical areas are not defined by the Group. All activities of the Group are performed on the territory of Republic of Lithuania. Revenues and expenses for services related to major non resident customers are immaterial for the purpose of these financial statements and are not presented to the chief operating decision maker.

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(All amounts in LTL thousand unless otherwise stated)

NOTE 4 SEGMENT INFORMATION (CONTINUED)

Business segments of the Group for the year ended 31 December 2014 were as follows:

	Baltic Division	Merchant Banking	Asset Management	Treasury	Operations	Staff Functions	Information Technologies	Eliminations	Total Group
Interest income	434,639	432	41	207,233	-	-	-	(176,686)	465,659
- Internal	11,820	-	17	164,849	-	-	-	(176,686)	-
- External	422,819	432	24	42,384	-	-	-	-	465,659
Interest expense	(174,333)	(545)	-	(154,344)	-	-	-	176,686	(152,536)
- Internal	(164,306)	(545)	-	(11,835)	-	-	-	176,686	-
- External	(10,027)	-	-	(142,509)	-	-	-	-	(152,536)
Commission income	257,663	262	20,861	1,720	-	-	-	(9,681)	270,825
- Internal	7,961	-	-	1,720	-	-	-	(9,681)	-
- External	249,702	262	20,861	-	-	-	-	-	270,825
Commission expense	(75,252)	(2,141)	(9,274)	(290)	-	-	-	9,681	(77,276)
- Internal	(1,720)	-	(7,961)	-	-	-	-	9,681	-
- External	(73,532)	(2,141)	(1,313)	(290)	-	-	-	-	(77,276)
Net financial income/(expense)	73,406	26,211	(26)	4,893	-	-	-	-	104,484
Net other income/(expense)	(1,408)	-	-	317	-	(6)	-	-	(1,097)
Net operating income/ (expenses)	514,715	24,219	11,602	59,529	-	(6)	-	-	610,059
Total staff costs and other administrative expenses	(247,282)	(546)	(3,097)	(831)	240	2,342	2,466	-	(246,708)
Depreciation/amortisation	(16,904)	(27)	(14)	(3)	(177)	(1,297)	(1,944)	-	(20,366)
Capital gain/(losses)	1,733	-	-	-	-	(425)	(4)	-	1,304
Total impairment losses	(19,464)	-	-	-	-	-	-	-	(19,464)
Profit (loss) before income tax	232,798	23,646	8,491	58,695	63	614	518	-	324,825
Income tax (expenses)	(74,558)	(3)	(358)	-	-	-	-	-	(74,919)
Net profit (loss) for the year	158,240	23,643	8,133	58,695	63	614	518	-	249,906
Total Assets	18,475,804	75,834	26,375	5,769,944	63	614	1,480	(1,046,429)	23,303,685
Total Liabilities	15,816,523	52,191	17,252	5,711,873	-	-	962	(1,046,429)	20,552,372
<i>Acquisition of intangible assets, investment property and equipment</i>	18,048		259						18,307

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

NOTE 4 SEGMENT INFORMATION (CONTINUED)

For the year ended, 31 December 2014 reconciliation between Group's Segment reporting and financial statements is presented below:

	Eliminations			Financial Statements
	Segment Reporting	Interest income from Hedged L&R	Other reconciling entries	
Interest income	465,659		(4,633)	461,026
Interest expense	(152,536)	8,168	3	(144,365)
Commission income	270,825	-	(475)	270,350
Commission expense	(77,276)		5,280	(71,996)
Net financial income	104,484	(8,168)	(175)	96,141
Net other income	(1,097)	-	6,436	5,339
Net operating income	610,059	-	6,436	616,495
Total staff costs and other administrative expenses	(246,708)	-	(6,447)	(253,155)
Depreciation/amortisation	(20,366)			(20,366)
Capital losses	1,304	-		1,304
Total impairment losses	(19,464)	-	11	(19,453)
Profit before income tax	324,825	-	-	324,825
Income tax (expenses)	(74,919)	-	-	(74,919)
Net profit for the year	249,906	-	-	249,906

Other reconciling entries represent corrections because of different income and expense treatment for management reporting purposes.

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(All amounts in LTL thousand unless otherwise stated)

NOTE 4 SEGMENT INFORMATION (CONTINUED)

Business segments of the Group for the year ended 31 December 2013 were as follows:

	Baltic Division	Merchant Banking	Asset Management	Treasury	Operations	Staff Functions	Information Technologies	Eliminations	Total Group
Interest income	455,064	1,020	43	202,115	-	-	-	(185,881)	472,361
- Internal	13,650	-	13	172,218	-	-	-	(185,881)	-
- External	441,414	1,020	30	29,897	-	-	-	-	472,361
Interest expence	(191,683)	(566)	(3)	(185,104)	-	-	-	185,881	(191,475)
- Internal	(171,655)	(566)	(3)	(13,657)	-	-	-	185,881	-
- External	(20,028)	-	-	(171,447)	-	-	-	-	(191,475)
Commission income	250,733	262	21,569	-	-	-	-	(9,153)	263,411
- Internal	9,153	-	-	-	-	-	-	(9,153)	-
- External	241,580	262	21,569	-	-	-	-	-	263,411
Commission expence	(66,859)	-	(9,485)	(469)	-	-	-	9,153	(67,660)
- Internal	-	-	(8,684)	(469)	-	-	-	9,153	-
- External	(66,859)	-	(801)	-	-	-	-	-	(67,660)
Net financial income/(expense)	103,455	219	(53)	(673)	-	-	-	-	102,948
Net other income/(expense)	(1,671)	-	-	254	(6)	(11)	-	-	(1,434)
Net operating income/ (expenses)	549,039	935	12,071	16,123	(6)	(11)	-	-	578,151
Total staff costs and other administrative expenses	(269,694)	(1,055)	(3,185)	(586)	126	1,260	2,408	-	(270,726)
Depreciation/amortisation	(16,823)	(39)	(31)	(2)	(253)	(1,896)	(2,187)	-	(21,231)
Capital (losses)	18	-	-	-	-	8	-	-	26
Total impairment reversals	(42,691)	-	-	-	-	-	-	-	(42,691)
Profit (loss) before income tax	219,849	(159)	8,855	15,535	(133)	(639)	221	-	243,529
Income tax benefit (expenses)	(29,834)	(8)	(1,378)	-	-	-	-	-	(31,220)
Net profit (loss) for the year	190,015	(167)	7,477	15,535	(133)	(639)	221	-	212,309
Total Assets	17,882,941	57,031	24,176	7,612,380	-	-	1,732	(1,987,314)	23,590,946
Total Liabilities	15,302,148	57,198	15,709	7,599,395	133	639	1,511	(1,987,314)	20,989,419
<i>Acquisition of intangible assets, investment property and equipment</i>	16,711	-	106	-	-	-	-	-	16,817

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in LTL thousand unless otherwise stated)

NOTE 4 SEGMENT INFORMATION (CONTINUED)

For the year ended, 31 December 2013 reconciliation between Group's Segment reporting and financial statements is presented below:

	Eliminations			Financial Statements
	Segment Reporting	Interest income from Hedged L&R	Other reconciling entries	
Interest income	472,361		(1,376)	470,985
Interest expense	(191,475)	9,200	30	(182,245)
Commission income	263,411	-	1,388	264,799
Commission expense	(67,660)		7	(67,653)
Net financial income	102,948	(9,200)	267	94,015
Net other income	(1,434)	-	7,226	5,792
Net operating income	578,151	-	7,542	585,693
Total staff costs and other administrative expenses	(270,726)	-	(7,517)	(278,243)
Depreciation/amortisation	(21,231)		(25)	(21,256)
Capital losses	26	-	-	26
Total impairment credits	(42,691)	-	-	(42,691)
Loss before income tax	243,529	-	-	243,529
Income tax (expenses)	(31,220)	-	-	(31,220)
Net profit for the year	212,309	-	-	212,309

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

NOTE 5 NET INTEREST INCOME

The Group			The Bank	
2014	2013		2014	2013
461,026	470,985	Interest income:	461,118	470,505
219	83	on balances with Central Banks	219	83
20,226	10,999	on loans and advances to credit institutions	20,769	11,562
381,040	396,711	on loans and advances to customers	380,609	395,692
9,609	11,159	on government securities - loans and receivables	9,609	11,159
35,875	40,053	on finance leasing portfolio	35,879	40,059
2,235	2,252	on debt securities available for sale	2,211	2,222
11,822	9,728	on debt securities, designated at fair value	11,822	9,728
(144,365)	(182,245)	Interest expenses:	(144,386)	(182,262)
(76,140)	(100,666)	on amounts owed to credit institutions	(76,161)	(100,683)
(8,317)	(14,914)	on deposits from the public	(8,317)	(14,914)
(1,835)	(8,785)	on debt securities	(1,835)	(8,785)
(58,073)	(57,880)	deposits insurance expenses	(58,073)	(57,880)
316,661	288,740	Total net interest income	316,732	288,243

NOTE 6 IMPAIRMENT LOSSES ON LOANS, FINANCE LEASING RECEIVABLE AND OTHER ASSETS

The Group			The Bank	
2014	2013		2014	2013
		Impairment losses on loans to credit-institutions		
(2)	2	charge for the year, net	(2)	2
		Impairment losses of impairment losses on loans to customers,		
14,195	83,780	net	14,195	83,780
(2,441)	(3,109)	Recovered written off loans	(2,441)	(3,109)
11,752	80,673	Impairment (losses)/reversals of impairment losses on loans, net	11,752	80,673

Changes in impairment losses during the year 2014 and 2013 were as follows:

The Group			The Bank	
2014	2013		2014	2013
708,950	1,022,564	Impairment losses on loans as of 1 January (note 21)	708,950	1,022,564
		Impairment charged (credited) to income statement by		
14,195	83,780	customer category, net:	14,195	83,780
(1,038)	18,361	Other corporate	(1,038)	18,361
(630)	46,106	Property management	(630)	46,106
1,229	10,633	Mortgage	1,229	10,633
14,634	8,680	Other private individuals	14,634	8,680
(268,301)	(396,923)	Loans written off:	(268,301)	(396,923)
(64,711)	(61,038)	Other corporate	(64,711)	(61,038)
(87,338)	(305,037)	Property management	(87,338)	(305,037)
(116,252)	(30,848)	Private individuals	(116,252)	(30,848)
963	(471)	Effect of change in exchange rate	963	(471)
455,807	708,950	Impairment losses on loans as of 31 December	455,807	708,950

Impairment losses on loans relate to loans to customers and are specified in Note 21.

As of 31 December 2014 the Bank had LTL 679,902 thousand of individually impaired loans, gross of impairment losses (2013: LTL 1,101,443 thousand). As of 31 December 2014 accrued interest on these loans amounted to LTL 386 thousand (2013: LTL 403 thousand). Deferred loan origination fee amounted to LTL 223 thousand for individually impaired loans to customers (2013: LTL 418 thousand).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in LTL thousand unless otherwise stated)

NOTE 6 IMPAIRMENT LOSSES ON LOANS, FINANCE LEASING RECEIVABLE AND OTHER ASSETS (CONTINUED)

Interest income on these loans for the year ended 31 December 2014 amounted to LTL 10,057 thousand (2013: LTL 15,495 thousand). Impaired loans referred to above are identified in accordance with the Bank's Credit Loss Instructions.

The Group and the Bank accounted for the following impairment losses for finance lease portfolio and other assets:

The Group			The Bank	
2014	2013		2014	2013
70,023	83,930	Impairment losses on finance lease portfolio	70,023	83,930
949	1,285	Impairment losses on other assets	949	1,285
70,972	85,215	Impairment losses on finance lease portfolio and other assets as of 31 December	70,972	85,215

Changes in impairment losses for finance lease portfolio and other assets related to lease portfolio for the year ended 31 December 2014 and 2013 were as follows:

The Group			The Bank	
2014	2013		2014	2013
(1,533)	(34,191)	Impairment reversal on finance lease portfolio credited to income statement	(1,533)	(34,191)
-	1,160	Investment property impairment loss (reversal)	-	1,160
-	2,700	Impairment losses on foreclosed assets	-	2,700
-	(3,084)	Result from sales of foreclosed assets according to terminated lease portfolio agreements	-	(3,084)
(1,533)	(33,415)	Impairment reversal on finance lease portfolio and other assets related to lease portfolio, net	(1,533)	(33,415)

The Group			The Bank	
2014	2013		2014	2013
83,930	133,865	Impairment losses on finance lease portfolio as of 1 January (note 22)	83,930	133,865
(1,533)	(34,191)	Impairment reversal credited to income statement, net:	(1,533)	(34,191)
(1,501)	(34,808)	Corporate	(1,501)	(34,808)
(3)	587	Private individuals	(3)	587
(29)	30	Other	(29)	30
(12,897)	(15,619)	Finance leasing receivable written off	(12,897)	(15,619)
(12,897)	(15,590)	Corporate	(12,897)	(15,590)
-	(29)	Private individuals	-	(29)
523	(125)	Effect of change in exchange rate	523	(125)
70,023	83,930	Impairment losses on finance lease portfolio as of 31 December	70,023	83,930

Impairment losses on finance lease receivable are specified in Note 22.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

NOTE 7 NET FEE AND COMMISSION INCOME

The Group			The Bank	
2014	2013		2014	2013
78,845	77,581	For money transfer operations	78,848	77,581
103,898	101,699	For payment cards services	103,898	101,699
12,518	10,779	For operations with securities	12,518	10,779
75,089	74,740	Other income on services and commissions	62,143	61,597
270,350	264,799	Income on services and commissions	257,407	251,656
(2,024)	(2,187)	For money transfer operations	(2,024)	(2,187)
(51,882)	(50,971)	For payment cards services	(51,882)	(50,971)
(2,413)	(2,405)	For operations with securities	(2,413)	(2,405)
(15,677)	(12,090)	Other expenses on services and commissions	(12,236)	(11,292)
(71,996)	(67,653)	Expenses on services and commissions	(68,555)	(66,855)

NOTE 8 DIVIDEND INCOME FROM SUBSIDIARIES

The table below presents dividends received by the Bank from it's subsidiaries:

	2014	2013
UAB "SEB investicijų valdymas"	7,477	7,351
Total dividend income	7,477	7,351

NOTE 9 NET GAIN (LOSS) ON OPERATIONS WITH DEBT SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

The Group			The Bank	
2014	2013		2014	2013
3,576	3,589	Realised result from operations with debt securities in trading portfolio	3,576	3,589
(528)	(1,225)	Unrealised result from operations with debt securities in trading portfolio	(528)	(1,225)
(209)	(2,281)	Result of available for sale portfolio designated for fair value hedge	(209)	(2,281)
(5,021)	(7,093)	Gain/Loss of Government securities - loans and receivables, designated for fair value hedge	(5,021)	(7,093)
4,603	(988)	Result of Government securities at fair value through profit (loss)	4,619	(988)
-	223	Result of other financial assets designated at fair value through profit (loss)	-	-
(8,114)	(14,566)	Realised result of interest rate swap designated as hedging instrument	(8,114)	(14,566)
5,486	14,984	Unrealised result of interest rate swap designated as hedging instrument	5,486	14,984
4,534	26,129	Result of other derivatives	4,534	26,129
3,286	4,634	Result from other trading securities	3,286	4,634
7,613	23,406	Net gains (losses) on financial assets and derivative instruments accounted for at fair value	7,629	23,183

NOTE 10 NET FOREIGN EXCHANGE GAIN

The Group			The Bank	
2014	2013		2014	2013
57,034	56,883	Gain from foreign exchange trading	57,055	56,888
5,976	14,420	Unrealised translation gain	5,984	14,469
63,010	71,303	Net gain on foreign exchange	63,039	71,357

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

NOTE 11 STAFF COSTS

The Group			The Bank	
2014	2013		2014	2013
99,266	96,546	Salaries and wages	98,116	94,793
33,869	32,595	Social security expenses (defined contribution plan cost)	33,494	32,020
133,135	129,141	Total staff costs	131,610	126,813

The following numbers of full-time personnel were employed by the Group's companies as of 31 December 2014 and 2013:

	2014	2013
AB SEB bankas	1,785	1,731
UAB "SEB investicijų valdy mas"	9	9
UAB "SEB Venture Capital"	1	1
Total employees	1,795	1,741

Several employees of the Bank are also employed by subsidiary companies and vice versa.

NOTE 12 OTHER ADMINISTRATIVE EXPENSES

The Group			The Bank	
2014	2013		2014	2013
36,202	43,492	Rent and maintenance of premises	36,009	43,223
9,655	9,317	Depreciation property and equipment	9,614	9,246
335	406	Depreciation of investment property	335	406
11,067	10,873	Audit and consulting expenses	10,953	10,733
38,123	47,485	Office equipment and software maintenance	38,017	47,485
6,096	7,596	Communication expenses	5,904	7,352
(3,074)	7,877	Payments for servicing organizations	(3,079)	7,812
4,495	5,740	Transport expenses	4,409	5,640
7,149	6,703	Advertising and promotion expenses	7,065	6,450
10,376	10,543	Amortisation of intangible assets	10,376	10,543
4,633	4,134	Other than income taxes	4,619	4,130
-	25	Depreciation of assets under operating lease	-	25
1,386	1,276	Employees training expenses	1,365	1,264
1,921	1,998	Insurance of banking operations	1,921	1,998
561	474	Charity and sponsorship	560	474
10,157	12,393	Other expenses	9,829	12,098
139,082	170,332	Total other administrative expenses	137,897	168,879

The balance in the line 'Payment for servicing organizations' for the year ended 2014 is negative because of the fine refunded by the Competition Council of the Republic of Lithuania to the Bank. The fine was imposed on the Bank in the year 2012 for the arrangements that restricted competition in the markets of cash management and cash collection services. The Bank appealed the decision and on the 8th of April 2014 the Supreme Administrative Court of Lithuania adopted a decision whereby the fine imposed on AB SEB bankas by the Competition Council of the Republic of Lithuania was cancelled.

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NOTE 13 INCOME TAX EXPENSE

The Group			The Bank	
2014	2013		2014	2013
10,192	1,371	Current year tax charge	9,856	-
26,480		Previous years related tax charge	26,480	-
38,247	29,849	Change in deferred tax asset and liability balance	38,222	29,834
74,919	31,220	Total income tax charge	74,558	29,834

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

The Group			The Bank	
2014	2013		2014	2013
324,825	243,529	Profit before tax	300,166	242,145
48,724	36,529	Tax calculated at a tax rate of 15%	45,025	36,322
(10,389)	(7,152)	Income not subject for tax	(7,003)	(9,390)
2,570	1,843	Expenses not deductible for tax purposes	2,522	2,902
7,534	-	Derecognition of previously recognized deferred tax	7,534	-
26,480	-	Correction of previous period income tax	26,480	-
74,919	31,220	Total income tax charge	74,558	29,834

Starting from the year 2010 income tax rate in Lithuania is 15 percent.

Deferred tax

The Group			The Bank	
2014	2013		2014	2013
167,633	197,753	Assets at 1 January	167,600	197,706
(38,247)	(29,849)	Income statement charge	(38,222)	(29,834)
(340)	(273)	Other comprehensive income	(340)	(273)
129,047	167,633	Asset (liability) at 31 December	129,039	167,600

As of 31 December 2014 and 2013 deferred income tax was calculated using 15 percent income tax rate.

The Group			The Bank	
2014	2013		2014	2013
Deferred tax assets				
		Revaluation of available for sales securities through equity		
110	450		110	450
3,649	5,998	Amortisation and depreciation	3,649	5,998
1,272	8,344	Accrued expense	1,264	8,311
7,199	17,323	Impairment losses	7,199	17,323
121,913	141,158	Tax loss carried forward	121,913	141,158
134,143	173,273	Deferred tax assets, net	134,135	173,240
Deferred tax liability				
1,934	2,718	Revaluation of securities designated for fair value hedge	1,934	2,718
868	235	Revaluation of trade securities	868	235
2,294	2,687	Revaluation of derivatives	2,294	2,687
5,096	5,640	Deferred tax liability, net	5,096	5,640

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NOTE 13 INCOME TAX EXPENSE (CONTINUED)

As of 31 December 2014 the deferred tax asset related to tax losses recognised by the Bank is LTL 121,913 thousand (LTL 141,158 thousand as of 31 December 2013) of which LTL 301 thousand (LTL 1,623 thousand as of 31 December 2013) related to taxable losses from transactions with securities and derivatives. Tax losses could be offset with taxable profits for unlimited time. However not more than 70 per cent of yearly taxable profit could be offset with accumulated taxable loss starting from January 1, 2014.

In the Management opinion the Bank will utilize LTL 29,244 thousand of deferred tax asset within 12 month period from the date of these financial statements, respectively LTL 99,795 thousand after more than 12 months from the date of these financial statements. The amounts at the end 2013 were LTL 30,040 thousand and LTL 137,560 thousand respectively.

The amount of unused tax losses carried forward for the Group and the Bank is as follows:

The Group			The Bank	
2014	2013		2014	2013
		Unused tax losses		
812,759	941,052	Tax loss carried forward, unlimited use	812,759	941,052
812,759	941,052	Total unused tax losses	812,759	941,052

As of 31 December 2014 and 2013 income tax effect relating to components of other comprehensive income was as follows:

The Group			The Bank	
2014	2013		2014	2013
		Fair value gains (losses) on available for sale investment securities before tax amount		
2,064	1,565		2,064	1,565
(340)	(273)	Tax (expenses) benefit	(340)	(273)
1,724	1,292	Fair value gains on available for sale investment securities, net of tax amount	1,724	1,292

NOTE 14 EARNINGS PER SHARE

	The Group	
	2014	2013
Net profit from continuing operations attributable to the shareholders	249,906	212,309
Weighted average number of shares (000s)	15,441	15,441
Basic and diluted earnings per share (LTL)	16.18	13.75

Basic earnings per ordinary share is calculated by dividing net income attributable to equity holders by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by dividing net income by the weighted average number of ordinary shares in issue during the year to assume conversion of all dilutive potential ordinary shares. The Group has no dilutive potential ordinary shares.

NOTE 15 BALANCES WITH THE CENTRAL BANK

The Group			The Bank	
2014	2013		2014	2013
476,807	438,591	Obligatory reserves	476,807	438,591
2,061,730	47,963	Target deposits	2,061,730	47,963
1,141,880	448,769	Balance available for withdrawal	1,141,880	448,769
3,680,417	935,323	Total balances with the Central Bank	3,680,417	935,323

Obligatory reserves comprise 3 per cent (3 percent in 2013) of balance of public deposits with tenors not longer than 2 years calculated using data from the last day of the previous month. Central bank pays remuneration for reserves holding in central bank based on ECB deposit facility rate (0,00 % from 11 July 2013).

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(All amounts in LTL thousand unless otherwise stated)

NOTE 15 BALANCES WITH THE CENTRAL BANK (CONTINUED)

As at 31 December of 2014 the line 'Target deposits' represents Bank's balance of funds amounting to LTL 41,730 thousand (LTL 47,963 thousand as at 31 December 2013) that have been transferred by state enterprise Indėlių ir Investicijų Draudimas ('Deposit and Investment Insurance Fund') for payment of insurance compensations to Bank Snoras depositors (private individuals and companies within Vilnius County when operation of Bank Snoras was suspended (further details provided in Note 32) and funds (amounting to LTL 2,020,028 thousand as at 31 December 2014 (none as at 31 December 2013) pledged to the Central bank for EUR pre-allocation before Lithuania joined euro zone starting January 1, 2015.

NOTE 16 DUE FROM BANKS

The Group			The Bank	
2014	2013		2014	2013
145,923	202,751	Current accounts	145,923	202,751
671,145	385,235	Overnight deposits	671,145	385,235
15,724	3,103,060	Term deposits	15,724	3,103,060
832,792	3,691,046	Total	832,792	3,691,046

Amounts due from Banks at 31 December 2014 have been due from counterparties with the rating not less than BBB- based on rating agency Standard & Poor's ratings except for LTL 17 million that are due from the counterparties which are not rated and LTL 0.2 mln. from counterparty's that are under non - investment grade.

Amounts due from Banks at 31 December 2013 have been due from counterparties with the rating not less than BBB- based on rating agency Standard & Poor's ratings except for LTL 153 million that are due from the counterparties which are not rated and LTL 1 mln. from counterparty's that are under non - investment grade.

The balances above do not include any past due or impaired items.

NOTE 17 GOVERNMENT SECURITIES AVAILABLE FOR SALE

The Group			The Bank	
60,900	As of 1 January 2013		60,234	
-	Additions		-	
(2,542)	Disposals		(2,512)	
2,252	Interest income		2,222	
(2,281)	Result of available for sale portfolio designated for fair value hedge		(2,281)	
1,565	Change in revaluation reserve in equity		1,565	
59,895	As of 1 January 2014		59,228	
305	Additions			
(2,867)	Disposals		(2,512)	
2,235	Interest income		2,211	
(209)	Result of available for sale portfolio designated for fair value hedge		(209)	
2,064	Change in revaluation reserve in equity		2,064	
61,422	As of 31 December 2014		60,782	

Vast majority of government securities are debt securities issued by the Government of the Republic of Lithuania for the term of four years.

NOTE 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group			The Bank	
2014	2013		2014	2013
214,042	79,161	Financial assets held for trading - securities of Government of Republic of Lithuania	214,042	79,161
1,053,604	874,821	Financial assets designated at fair value (at initial recognition)	981,864	830,452
1,267,646	953,982	Total financial assets designated at fair value	1,195,906	909,613

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NOTE 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The Group's financial assets designated at fair value (at initial recognition) represent AB SEB bankas subsidiary's UAB "SEB Venture Capital" investments in associates amounting to LTL 71,740 thousand as at 31 December 2014 (LTL 44.369 thousand as at 31 December 2013) and the Bank's investment in Lithuanian Government securities amounting to 981,864 as at 31 December 2014 (LTL 830,452 thousand as at 31 December 2013). Upon initial recognition it is designated as at fair value through profit or loss because this investment is managed and its performance is evaluated on a fair value basis in accordance with investment strategy. UAB "SEB Venture Capital" business is oriented to short and middle term profit from increase in fair value of investments.

The table below presents movement of financial assets designated at fair value.

<u>The Group</u>		<u>The Bank</u>
507,293	As of 1 January 2013	464,234
813,730	Additions	812,643
(453,154)	Disposals	(453,154)
6,952	Revaluation	6,729
874,821	As of 1 January 2014	830,452
586,779	Additions	585,126
(448,946)	Disposals	(448,433)
40,950	Revaluation	14,719
1,053,604	As of 31 December 2014	981,864

The revaluation result on designated at fair value financial assets is accounted in income statement under 'Net gain (loss) on equity securities' and 'Net gain (loss) on operations with debt securities and derivative financial instruments'.

The table below presents an analysis of Bank's trading debt securities and financial assets designated at fair value (at initial recognition) by rating agency designation at 31 December 2014 and 2013, based on Standard & Poor's ratings or their equivalent:

Securities of Government of Republic of Lithuania	<u>2014</u> <u>2013</u>	
	A-	1,195,906
BBB		909,613
Total	1,195,906	909,613

The residual amount of the Group balance consists of UAB "SEB Venture Capital" investments in associates that are not rated.

NOTE 19 DERIVATIVE FINANCIAL INSTRUMENTS

The Bank and Group utilises the following derivative instruments for both hedging and non-hedging purposes. Hedging relationship is properly documented. The hedging practices and accounting treatment is described in note 3 (l).

As at 31 December 2014 receivable for interest rate and currency interest rate swaps amounting to LTL 111,354 thousand are due from the counterparties with internal risk classes that fall under the range from 9 till 12. Receivable for currency interest rate swaps amounting to LTL 287,464 thousand are due from the Parent company with internal risk class 2.

As at 31 December 2013 receivable for interest rate and currency interest rate swaps amounting to LTL 184,911 thousand are due from the counterparties with internal risk classes that fall under the range from 6 till 11. Receivable for currency interest rate swaps amounting to LTL 68,667 thousand are due from the Parent company with internal risk class 3.

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(All amounts in LTL thousand unless otherwise stated)

NOTE 19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Bank's and Group's derivative financial instruments:

31 December 2014	Notional amount		Fair value	
	Purchase	Sale	Assets	Liabilities
Foreign exchange derivatives				
Currency forwards	42,730	42,689	1,016	837
Currency swaps	3,251,315	3,251,291	1,237	1,281
Put options	1,044	1,044	9	9
Call options	1,044	1,044	2	2
Interest rate derivatives				
Futures	5,870	1,726	11	105
Interest rate swaps	2,622,003	2,622,003	111,354	116,990
Interest rate swaps for hedging purposes	231,338	231,338	-	21,623
Currency interest rate swaps	4,250,197	4,250,197	287,464	267,533
Interest rate options	22,458	22,458	-	-
Equity derivatives				
Index linked debt securities option	42,849	42,849	4,876	4,851
Derivative part of index linked deposit	-	-	53	-
Other derivatives				
Commodity options	19,429	19,429	-	-
Total derivatives assets/liabilities	10,490,277	10,486,068	406,022	413,231
31 December 2013	Notional amount		Fair value	
	Purchase	Sale	Assets	Liabilities
Foreign exchange derivatives				
Currency forwards	192,555	192,609	1,867	1,907
Currency swaps	-	-	-	-
Put options	14,048	14,048	90	90
Interest rate derivatives				
Interest rate swaps	3,098,429	3,098,429	120,293	124,221
Interest rate swaps for hedging purposes	231,338	231,338	-	27,109
Currency interest rate swaps	3,986,090	3,986,090	133,286	113,914
Interest rate options	27,291	27,291	15	15
Equity derivatives				
Index linked debt securities option	70,217	70,217	3,635	3,632
Derivative part of index linked deposit	-	-	47	-
Other derivatives				
Commodity options	20,578	20,578	55	55
Total derivatives assets/liabilities	7,640,546	7,640,600	259,288	270,943

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NOTE 20 LOANS TO CREDIT INSTITUTIONS

The table below presents loans to credit institutions split by counterparty country.

The Group			The Bank	
2014	2013		2014	2013
19,751	5	Germany	19,751	5
6,692	1	United Kingdom	6,692	1
3,739		Austria	3,739	
2,935	321	Belarus	2,935	321
2,410	-	France	2,410	-
1,464	-	Lithuania	1,464	-
1,000	790	China	1,000	790
87	1,013	Viet Nam	87	1,013
60		United Arab Emirates	60	
48	31	Netherlands	48	31
7	1,434	United States	7	1,434
5	2	Ireland	5	2
1		Denmark	1	
-	44,169	Sweden		44,169
-	20,477	Turkey		20,477
-	13,829	Russian Federation		13,829
-	4,007	Latvia		4,007
-	-	UAE		-
38,199	86,079	Total loans to credit institutions	38,199	86,079
-	(2)	(2) Less impairment losses on loans	-	(2)
38,199	86,077	Loans to credit institutions, net	38,199	86,077

Vast majority of loans to credit institutions are not secured by any collateral.

As of 31 December 2014 LTL 1 thousand of loans to credit institutions were past due 1-7 days, LTL 6 thousands 8-30 days and LTL 4 thousands more than 60 days. As of 31 December 2013 LTL 1 thousand were past due more than 60 days.

The table below presents an analysis of loans to credit institutions by rating agency designation at 31 December 2014 and 31 December 2013, based on Standard & Poor's ratings or their equivalent:

	2014	2013
A-	25,519	-
AA-	4,697	2
A	3,427	801
B-	2,934	200
AA+	1,465	-
Not available	89	5,020
BBB+	60	-
BB+	6	20,897
A+	2	45,627
BB	-	1,507
CCC+	-	121
BBB-	-	11,902
	38,199	86,077

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(All amounts in LTL thousand unless otherwise stated)

NOTE 21 LOANS TO CUSTOMERS

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral for loans granted, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and receivables are presented below.

As of 31 December 2014 and 2013 the Bank's loans to customers against collateral type were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2014						
Loans secured by mortgage, real property	67	1,562,329	1,772,732	5,494,242	453,000	9,282,367
Loans secured by deposits and securities	241	131,928	317,333	4,996	7,831	462,329
Loans secured by guarantees of government and banks	-	2,810	437,151	-	-	439,961
Accounts receivable and debtors	2,479	115,830	294,082	846	900	414,137
Inventories and equipment	238	773	929,117	8	9	930,145
Other collateral	200	573,003	1,133,470	569,718	21,593	2,297,984
Unsecured loans	365,359	1,065	870,051	19,535	229,696	1,485,706
Total loans to customers	368,584	2,387,738	5,753,936	6,089,345	713,029	15,312,632
31 December 2013						
Loans secured by mortgage, real property	146	1,514,187	1,233,333	5,398,778	519,397	8,665,841
Loans secured by deposits and securities	284	85,566	86,709	8,861	9,107	190,527
Loans secured by guarantees of government and banks	-	32,873	67,089	-	-	99,962
Accounts receivable and debtors	4,149	512,878	1,111,124	3,727	1,163	1,633,041
Inventories and equipment	282	4,402	750,650	10	9	755,353
Other collateral	433	504,169	1,481,486	636,094	35,604	2,657,786
Unsecured loans	403,741	41,767	1,138,503	57,287	256,927	1,898,225
Total loans to customers	409,035	2,695,842	5,868,894	6,104,757	822,207	15,900,735

Loan's amount was split proportionally to collateral value, if there were several types of collateral pledged for the same loan.

As of 31 December 2014 loans with floating interest rate made 77.13 percent of the Bank's total loan portfolio (2013: 74.66 percent). As of 31 December 2014 included in the above amounts of loans secured by deposits and securities is reversed repo transactions equal to LTL 1,379 thousand (of which LTL 4 thousand is accrued interest) with securities in amount of LTL 2,836 thousand (2013: LTL 794 thousand and LTL 1,817 thousand respectively), which includes: equity (LTL 1,114 thousand), funds (LTL 337 thousand) and equity linked debt securities (LTL 1,385 thousand).

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NOTE 21 LOANS TO CUSTOMERS (CONTINUED)

As of 31 December 2014 and 2013 the Bank's loans to customers by customer category were as follows:

	2014	2013
Neither past due nor impaired:		
Property management	1,928,674	1,839,633
Other corporate	5,265,435	5,240,252
Public	368,484	405,892
Mortgage loans	5,632,135	5,531,136
Other private individuals	593,555	636,752
Total neither past due nor impaired	13,788,283	13,653,665
Past due but not impaired:		
Property management	59,391	175,704
Other corporate	231,316	246,832
Public	100	3,143
Mortgage loans	448,018	559,906
Other private individuals	105,460	160,058
Total past due but not impaired	844,285	1,145,643
Impaired individually assessed loans:		
Property management	399,673	680,505
Other corporate	257,185	381,810
Public	-	-
Mortgage loans	9,192	13,715
Other private individuals	14,014	25,397
Total impaired individually assessed loans	680,064	1,101,427
Total loans by customer category:		
Property management	2,387,738	2,695,842
Other corporate	5,753,936	5,868,894
Public	368,584	409,035
Mortgage loans	6,089,345	6,104,757
Other private individuals	713,029	822,207
Total loans by customer category	15,312,632	15,900,735
Less impairment losses on loans:		
Property management	(123,718)	(211,182)
Other corporate	(109,449)	(174,751)
Public	-	-
Mortgage loans	(162,506)	(229,527)
Other private individuals	(60,134)	(93,490)
Total impairment losses on loans	(455,807)	(708,950)
Loans to customers, net	14,856,825	15,191,785

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NOTE 21 LOANS TO CUSTOMERS (CONTINUED)

The table below presents analysis of impaired individually assessed loans as of 31 December 2014 and 2013:

	2014	2013
Impaired individually assessed loans:		
Property management	399,672	680,504
Other corporate	257,186	381,811
Public	-	-
Mortgage loans	9,192	13,715
Other private individuals	14,014	25,397
Total impaired individually assessed loans	680,064	1,101,427
Less impairment losses on individually assessed loans:		
Property management	(109,500)	(183,937)
Other corporate	(85,437)	(131,480)
Public	-	-
Mortgage loans	(6,750)	(10,442)
Other private individuals	(10,250)	(20,069)
Total impairment losses on individually assessed loans	(211,937)	(345,928)

The credit quality of the portfolio of loans to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group. The analysis of the Bank's loans to customers by classes is as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2014						
3 – 7 risk classes	173,930	10,054	1,288,036	-	-	1,472,020
8 risk class	95,955	65,196	551,198	-	-	712,349
9 risk class	26,249	698,301	1,317,420	-	-	2,041,970
10 risk class	508	591,363	1,319,903	-	-	1,911,774
11 risk class	-	173,684	214,523	-	-	388,207
12 risk class	71,842	251,638	209,645	-	-	533,125
13 – 16 risk class	-	131,382	161,239	-	-	292,621
Homogeneous credits groups	-	7,056	203,471	5,632,135	593,555	6,436,217
Total neither past due nor impaired	368,484	1,928,674	5,265,435	5,632,135	593,555	13,788,283
31 December 2013						
3 – 7 risk classes	116,518	130,417	832,960	-	-	1,079,895
8 risk class	140,410	68,615	497,989	-	-	707,014
9 risk class	43,581	580,433	1,525,325	-	-	2,149,339
10 risk class	14,144	447,681	1,390,793	-	-	1,852,618
11 risk class	-	274,724	317,465	-	-	592,189
12 risk class	-	180,121	242,761	-	-	422,882
13 – 16 risk class	91,239	152,477	229,120	-	-	472,836
Homogeneous credits groups	-	5,165	203,839	5,531,136	636,752	6,376,892
Total neither past due nor impaired	405,892	1,839,633	5,240,252	5,531,136	636,752	13,653,665

Non retail and retail clients rating methodology is described in Note 3, Financial Risk Management Policy, Credit Risk Classification.

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NOTE 21 LOANS TO CUSTOMERS (CONTINUED)

The table below presents assessment of Homogeneous credits groups by internal rating categories:

	2014	2013
A	5,046,568	4,913,431
B	521,895	504,316
C	193,973	207,409
D	499,237	501,328
E	170,891	247,090
Not rated	3,653	3,318
	6,436,217	6,376,892

The Group's loans differ from the Bank's loans to customers by loans granted by venture capital subsidiary and the loan granted to this subsidiary. Loans granted by UAB "SEB Venture capital" as of 31 December 2014 amounted to LTL 4,094 thousand (2013: LTL 12,662 thousand). Loans granted by venture capital subsidiary are classified as neither past due nor impaired loans granted to other corporate and these are not secured.

There are the following homogeneous groups used by the Group: mortgage loans, consumer loans, small corporate loans and credit cards. Loans to private individuals (consumer and mortgage backed loans) and small corporate are assessed using scoring methods at the moment loan is granted. Afterwards they are monitored according to their overdue status. Therefore, for credit risk management purposes, loans to private individuals neither past due nor impaired are viewed as standard loans.

As of 31 December 2014 and 2013 loans to customers past due but not impaired and fair value of collateral were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2014						
Loans past due but not impaired:						
past due up to 7 days	100	17,722	81,629	70,611	8,406	178,468
past due 8-30 days	-	5,490	95,354	97,033	12,377	210,254
past due 31 - 60 days	-	8,258	15,181	65,534	7,829	96,802
past due over 60 days	-	27,921	39,152	214,840	76,848	358,761
Total past due but not impaired	100	59,391	231,316	448,018	105,460	844,285
Fair value of collateral pledged	-	59,126	102,828	402,545	63,921	628,420
31 December 2013						
Loans past due but not impaired:						
past due up to 7 days	2,806	14,287	59,194	89,569	9,253	175,109
past due 8-30 days	337	3,194	126,219	100,635	14,350	244,735
past due 31-60 days	-	1,539	12,995	55,835	10,975	81,344
past due over 60 days	-	156,684	48,424	313,867	125,480	644,455
Total past due but not impaired	3,143	175,704	246,832	559,906	160,058	1,145,643
Fair value of collateral pledged	-	167,326	107,230	466,760	79,778	821,094

The major part of loans past due up to 7 days are past due because of technical reasons and do not indicate difficulties to fulfil financial obligations to the Bank. Loans, that as at 31 December 2014 were past due up to 7 days and instalments were paid during January 2015, amount to LTL 157,686 thousand (2013: LTL 148,270 thousand), of which: public sector – LTL 100 thousand (the whole overdue amount for year 2013) property management – the whole amount for years 2014 and 2013, other corporate – LTL 77,137 thousand (2013: LTL 46,431 thousand), mortgage loans – LTL 56,814 thousand (2013: LTL 76,735 thousand), other private individuals – LTL 6,014 thousand (2013: LTL 8,011 thousand).

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NOTE 21 LOANS TO CUSTOMERS (CONTINUED)

As of 31 December 2014 and 2013 impaired loans to customers and fair value of collateral were as follows:

	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2014					
Impaired individually assessed loans	399,673	257,185	9,192	14,014	680,064
Fair value of collateral pledged	257,417	150,588	2,441	3,712	414,158
31 December 2013					
Impaired individually assessed loans	680,505	381,810	13,715	25,397	1,101,427
Fair value of collateral pledged	469,684	203,821	3,595	6,016	683,116

The Bank considers a loan in a homogeneous group to which impairment has been allocated on a collective basis as not being impaired for the purposes of IFRS 7 disclosures until the loss can be specifically identified with the loan.

NOTE 22 FINANCE LEASE RECEIVABLE

The Group			The Bank	
2014	2013		2014	2013
Gross finance lease receivable				
547,207	567,436	-Falling due within one year	547,239	567,473
824,675	908,342	-Falling due from one to five years	824,874	908,446
110,007	105,213	-Falling due after five years	110,007	105,213
1,481,889	1,580,991	Total gross finance lease receivable	1,482,120	1,581,132
Unearned finance income				
(23,742)	(27,873)	-Falling due within one year	(23,742)	(27,873)
(27,927)	(35,790)	-Falling due from one to five years	(27,927)	(35,790)
(3,201)	(5,145)	-Falling due after five years	(3,201)	(5,145)
(54,870)	(68,808)	Total unearned finance income	(54,870)	(68,808)
(70,023)	(83,930)	Less impairment losses on finance lease receivable	(70,023)	(83,930)
1,356,996	1,428,253	Total finance lease receivable, net	1,357,227	1,428,394

As of 31 December 2014 finance lease contracts with floating interest rate reached 86.73 percent of leasing portfolio (2013: 87.87 percent).

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(All amounts in LTL thousand unless otherwise stated)

NOTE 22 FINANCE LEASE RECEIVABLE (CONTINUED)

As of 31 December 2014 and 2013 finance lease receivable by customer category were as follows:

The Group			The Bank	
2014	2013		2014	2013
		Neither past due nor impaired:		
1,102,605	1,141,360	Corporate	1,102,605	1,141,501
59,564	46,593	Private individuals	59,564	46,593
7,897	8,407	Other	8,128	8,407
1,170,066	1,196,360	Total neither past due nor impaired	1,170,297	1,196,501
		Past due but not impaired:		
67,462	81,584	Corporate	67,462	81,584
4,183	4,148	Private individuals	4,183	4,148
490	585	Other	490	585
72,135	86,317	Total past due but not impaired	72,135	86,317
		Impaired finance lease receivable:		
182,318	226,893	Corporate	182,318	226,893
2,500	2,500	Private individuals	2,500	2,500
-	113	Other	-	113
184,818	229,506	Total impaired finance lease receivable	184,818	229,506
		Total finance lease receivable by customer category:		
1,352,385	1,449,837	Corporate	1,352,385	1,449,978
66,247	53,241	Private individuals	66,247	53,241
8,387	9,105	Other	8,618	9,105
1,427,019	1,512,183	Total finance lease receivable by customer category	1,427,250	1,512,324
		Less impairment losses on finance lease receivable:		
(66,448)	(80,323)	Corporate	(66,448)	(80,323)
(3,574)	(3,577)	Private individuals	(3,574)	(3,577)
(1)	(30)	Other	(1)	(30)
(70,023)	(83,930)	Total impairment losses on finance lease receivable by	(70,023)	(83,930)
1,356,996	1,428,253	Finance lease receivable, net	1,357,227	1,428,394

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NOTE 22 FINANCE LEASE RECEIVABLE (CONTINUED)

The credit quality of the Bank's finance lease receivable portfolio that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

	Corporate	Private individuals	Other	Total
31 December 2014				
4 – 7 risk classes	29,561	-	5,449	35,010
8 risk class	37,452	-	317	37,769
9 risk class	272,982	-	1,386	274,368
10 risk class	440,497	-	-	440,497
11 risk class	96,482	-	80	96,562
12 risk class	49,625	-	31	49,656
13-16 risk class	43,404	-	-	43,404
Homogeneous credits groups	132,602	59,564	865	193,031
Total neither past due nor impaired	1,102,605	59,564	8,128	1,170,297
31 December 2013				
4 – 7 risk classes	20,032	-	4,931	24,963
8 risk class	33,876	-	86	33,962
9 risk class	222,155	-	668	222,823
10 risk class	517,277	-	203	517,480
11 risk class	117,479	-	282	117,761
12 risk class	43,410	-	-	43,410
13-16 risk class	65,992	-	114	66,106
Homogeneous credits groups	121,280	46,593	2,123	169,996
Total neither past due nor impaired	1,141,501	46,593	8,407	1,196,501

As of 31 December 2014 and 2013 finance lease receivable past due but not impaired and fair value of collateral were as follows:

	Corporate	Private	Other	Total
31 December 2014				
Loans past due but not impaired:				
past due up to 30 days	46,591	1,940	453	48,984
past due 31 - 60 days	6,572	1,298	-	7,870
past due over 60 days	14,299	945	37	15,281
Total past due but not impaired	67,462	4,183	490	72,135
Fair value of collateral pledged	63,887	3,688	490	68,065
31 December 2013				
Loans past due but not impaired:				
past due up to 30 days	68,385	2,124	548	71,057
past due 31 - 60 days	2,721	1,597	-	4,318
past due over 60 days	10,478	427	37	10,942
Total past due but not impaired	81,584	4,148	585	86,317
Fair value of collateral pledged	73,655	2,878	229	76,762

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NOTE 22 FINANCE LEASE RECEIVABLE (CONTINUED)

Impaired finance leases receivable amounts and fair value of collateral as of 31 December 2014 and 2013:

	Corporate	Private	Other	Total
31 December 2014				
Impaired loans	182,318	2,500	-	184,818
Fair value of collateral pledged	55,334	-	-	55,334
31 December 2013				
Impaired loans	226,893	2,500	113	229,506
Fair value of collateral pledged	113,137	-	62	113,199

NOTE 23 INVESTMENT SECURITIES

Loans and Receivables Reclassification

On 31 October 2008, the management of the Bank, based on amendments of IAS 39 and IFRS 7, decided to reclassify fixed interest income securities into *loans and receivables* category. Carrying value of the securities as of 31 Dec 2014 amounted to LTL 189,162 thousand (2013: LTL 191,126 thousand), fair value is disclosed in table in *Accounting policies* part *Fair values*.

As of 31 December 2014 and for the year ended 31 December 2014 if the Group and the Bank had not reclassified financial assets to loans and receivables, revaluation reserve (deficit) of financial assets in equity would have been lower by LTL 129 thousand (2013: LTL 3,215 thousand), and result from revaluation of securities in income statement would have been lower by LTL 6,844 thousand (2013: LTL 8,041 thousand) respectively.

Available for Sale, Held to Maturity and Loans and Receivables

The breakdown of the investment securities – available for sale, held to maturity and loans and receivables may be summarised as follows:

The Group			The Bank	
2014	2013		2014	2013
		Securities available for sale:		
200	200	AB Panevezio Energija	200	200
200	200	Total investment securities available for sale	200	200

The above securities are not rated.

The changes in investment securities for the year 2014 were as follows:

The Group				The Bank		
Available-for-sale	Held to maturity	Loans and receivables		Available-for-sale	Held to maturity	Loans and receivables
200	13,812	386,010	January 1, 2013	200	13,812	386,010
-	(510)	-	Foreign exchange differences on monetary assets	-	(510)	-
-	-	(198,950)	Disposal	-	-	(198,950)
-	-	11,159	Interest income	-	-	11,159
-	-	(7,093)	Recognised result in income statement	-	-	(7,093)
200	13,302	191,126	January 1, 2014	200	13,302	191,126
-	1,743	-	Foreign exchange differences on monetary assets	-	1,743	-
-	-	(6,552)	Disposal	-	-	(6,552)
-	-	9,609	Interest income	-	-	9,609
-	-	(5,021)	Recognised result in income statement	-	-	(5,021)
200	15,045	189,162	December 31, 2014	200	15,045	189,162

All loans and receivables presented in the table above are subject to fair value hedge as described in note 3(l). Recognised result in income statement amounting to LTL 5,021 thousand (2013: LTL 7,093 thousand) relates to fair value hedge impact accounted through income statement.

The tables below present an analysis of credit quality of Bank's investment securities accounted as Held-to-maturity and loans and receivables based on Standard & Poor's ratings or their equivalent.

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(All amounts in LTL thousand unless otherwise stated)

NOTE 23 INVESTMENT SECURITIES (CONTINUED)

Ratings at 31 December 2014

	Held to maturity	Loans and receivables
A	15,045	-
A-	-	189,162
	15,045	189,162

Ratings at 31 December 2013

	Held to maturity	Loans and receivables
A	13,302	-
BBB	-	191,126
	13,302	191,126

NOTE 24 INVESTMENTS IN SUBSIDIARIES

The Group			The Bank	
2014	2013		2014	2013
		Securities accounted for under cost method:		
-	-	UAB "SEB Venture Capital"	25,000	25,000
-	-	UAB "SEB investicijų valdymas"	9,900	9,900
-	-	Total investments in subsidiaries	34,900	34,900

UAB "SEB Venture Capital" is a fully owned subsidiary involved in venture capital activities.

UAB "SEB investicijų valdymas" is a fully owned subsidiary of the Bank, engaged in provision of investments' management services.

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(All amounts in LTL thousand unless otherwise stated)

NOTE 25 INTANGIBLE ASSETS

As of 31 December 2014 and 2013 intangible assets of the Group and the Bank consisted of the following:

The Group		The Bank	
Software and other intangible fixed assets		Software and other intangible fixed assets	
Cost			
160,876	31 December 2012	160,696	
522	Additions	522	
(10,167)	Disposals	(10,167)	
151,231	31 December 2013	151,051	
Accumulated amortisation and impairment			
102,616	31 December 2012	102,436	
10,543	Charge for the year	10,543	
(10,167)	Amorisation of disposals	(10,167)	
102,992	31 December 2013	102,812	
Costs			
151,231	31 December 2013	151,051	
1,196	Additions	1,196	
(2,629)	Disposals	(2,629)	
149,798	31 December 2014	149,618	
Accumulated amortisation and impairment			
102,992	31 December 2013	102,812	
10,376	Charge for the year	10,376	
(2,281)	Amorisation of disposals	(2,281)	
111,087	31 December 2014	110,907	
Net book value			
48,239	31 December 2013	48,239	
38,711	31 December 2014	38,711	

The new core banking platform was introduced in 2010 at cost of LTL 219,638 thousand. Estimated amortisation period for the asset was 8 years. Annual impairment assessment held at the end of 2012 indicated that part of core banking system is unused due to the optimisation/replacement of some of its parts. Therefore decision has been taken to write off not used part of core banking system amounting to net book value of LTL 58,538 thousand. Amortisation period has not been revised. This system's net book value at 31 December 2014 was LTL 31,429 thousand (LTL 39,627 thousand at 31 December 2013).

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(All amounts in LTL thousand unless otherwise stated)

NOTE 26 PROPERTY AND EQUIPMENT

As of 31 December 2014 and 2013 property and equipment of the Group consisted of the following:

	The Group			
	Buildings and other real estate	Computer equipment	Office equipment	Total property and equipment
Cost				
31 December 2012	8,039	92,609	43,162	143,810
Additions	-	4,902	6,914	11,816
Disposals and reclassifications	(1,276)	(19,189)	(3,388)	(23,853)
31 December 2013	6,763	78,322	46,688	131,773
Accumulated depreciation				
31 December 2012	5,288	77,349	38,528	121,165
Charge for the year	853	5,873	2,591	9,317
Depreciation of disposals and reclassifications	(939)	(19,189)	(3,224)	(23,352)
31 December 2013	5,202	64,033	37,895	107,130
Cost				
31 December 2013	6,763	78,322	46,688	131,773
Additions	3,403	5,425	4,316	13,144
Disposals and reclassifications	(1,098)	(5,288)	(4,378)	(10,764)
31 December 2014	9,068	78,459	46,626	134,153
Accumulated depreciation				
31 December 2013	5,202	64,033	37,895	107,130
Charge for the year	736	6,151	2,768	9,655
Depreciation of disposals and reclassifications	(682)	(5,249)	(3,743)	(9,674)
31 December 2014	5,256	64,935	36,920	107,111
Net book value				
31 December 2013	1,561	14,289	8,793	24,643
31 December 2014	3,812	13,524	9,706	27,042

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NOTE 26 PROPERTY AND EQUIPMENT (CONTINUED)

As of 31 December 2014 and 2013 property and equipment of the Bank consisted of the following:

	The Bank			Total property and equipment
	Buildings and other real estate	Computer equipment	Office equipment	
Cost				
31 December 2012	8,039	92,506	42,760	143,305
Additions	-	4,884	6,826	11,710
Disposals and reclassifications	(1,276)	(19,148)	(3,280)	(23,704)
31 December 2013	6,763	78,242	46,306	131,311
Accumulated depreciation				
31 December 2012	5,288	77,252	38,314	120,854
Charge for the year	853	5,868	2,525	9,246
Depreciation of disposals and reclassifications	(939)	(19,148)	(3,171)	(23,258)
31 December 2013	5,202	63,972	37,668	106,842
Cost				
31 December 2013	6,763	78,242	46,306	131,311
Additions	3,403	5,424	3,940	12,767
Disposals and reclassifications	(1,098)	(5,244)	(4,105)	(10,447)
31 December 2014	9,068	78,422	46,141	133,631
Accumulated depreciation				
31 December 2013	5,202	63,972	37,668	106,842
Charge for the year	736	6,143	2,735	9,614
Depreciation of disposals and reclassifications	(682)	(5,204)	(3,598)	(9,484)
31 December 2014	5,256	64,911	36,805	106,972
Net book value				
31 December 2013	1,561	14,270	8,638	24,469
31 December 2014	3,812	13,511	9,336	26,659

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NOTE 27 INVESTMENT PROPERTY

As of 31 December 2014 and 2013 investment property of the Group and the Bank consisted of the following:

<u>The Group</u>		<u>The Bank</u>
Costs		
25,386	31 December 2012	25,386
9,904	Taken over/Additions	9,904
(17,952)	Disposals	(17,952)
17,338	31 December 2013	17,338
Accumulated depreciation and impairment		
865	31 December 2012	865
406	Depreciation for the year	406
(115)	Disposals	(155)
1,156	31 December 2013	1,116
Impairment loss		
10,289	31 December 2012	10,289
(9,909)	Reversal of impairment loss attributable to disposed assets	(9,909)
1,795	Impairment loss on assets taken over	1,795
2,175	31 December 2013	2,175
Costs		
17,338	31 December 2013	17,338
3,967	Taken over/Additions	3,967
(7,411)	Disposals	(7,411)
13,894	31 December 2014	13,894
Accumulated depreciation and impairment		
1,116	31 December 2013	1,116
335	Depreciation for the year	335
(333)	Disposals	(333)
1,118	31 December 2014	1,118
Impairment loss		
2,175	31 December 2013	2,175
(308)	Reversal of impairment loss attributable to disposed assets	(308)
-	Impairment loss on assets taken over	-
1,867	31 December 2014	1,867
Net book value		
14,047	31 December 2013	14,047
10,909	31 December 2014	10,909

The fair value of investment property was established in compliance with the procedures adopted within the SEB group. The valuation of real estate was carried out by AB SEB bankas authorised employees, based on discounted cash flow model created by Corporate Customers and Industry Analysis Department (ICA) and approved within SEB. The fair value of investment property does not differ materially from its book value as at 31 December 2014 and 31 December 2013.

The major amount of investment property are foreclosed leased assets (land and buildings) taken over from the clients.

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NOTE 28 OTHER ASSETS, NET

The Group			The Bank	
2014	2013		2014	2013
		Financial other assets		
977	673	Advances paid for assets to be leased	977	673
4,402	8,406	Amounts receivable for cash exported	4,402	8,406
		Amounts of executed bank transfers not yet settled against		
36,010	86,208	customers' accounts	36,010	86,208
184	70	Amounts outstanding for clearance	184	70
4,448	4,471	Accrued income	5,965	6,126
172	178	Current lease receivable	172	178
4,366	4,162	Other financial assets	4,366	4,162
50,559	104,168	Total other financial assets	52,076	105,823
		Non financial other assets		
610	934	Assets not yet leased	610	934
18,413	15,946	Deferred expenses	18,395	15,932
473	821	Tax receivables	-	296
11,808	9,419	Other assets, net of impairment allowances	10,015	7,310
31,304	27,120	Total non financial other assets	29,020	24,472
81,863	131,288	Total other assets, net	81,096	130,295

NOTE 29 DUE TO CREDIT INSTITUTIONS

The Group			The Bank	
2014	2013		2014	2013
2,455,289	3,411,920	Falling due within one year	2,455,289	3,411,920
1,935,504	3,765,904	Falling due after one year	1,935,504	3,765,904
4,390,793	7,177,824	Total amounts due to credit institutions	4,390,793	7,177,824

NOTE 30 DEPOSITS FROM THE PUBLIC

The Group			The Bank	
2014	2013		2014	2013
11,940,631	9,601,359	Current and demand deposits	11,951,950	9,607,282
3,360,235	3,483,762	Term deposits falling due within one year	3,373,139	3,498,667
126,703	139,736	Term deposits falling due after one year	126,703	139,736
15,427,569	13,224,857	Total deposits from the public	15,451,792	13,245,685

The Group			The Bank	
2014	2013		2014	2013
5,936,406	5,394,751	Corporate customers' deposits and accounts	5,960,629	5,415,579
9,491,163	7,830,106	Individual customers' deposits and accounts	9,491,163	7,830,106
15,427,569	13,224,857	Total deposits from the public	15,451,792	13,245,685

According to current requirement of Deposit Insurance Fund all banks in Lithuania have to make annual deposit insurance fund payments of 0.45 percent for deposits of private individuals and corporate customers nominated in LTL, USD, EUR and other European Union countries' currencies.

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NOTE 31 DEBT SECURITIES IN ISSUE

The Group			The Bank	
2014	2013		2014	2013
Debt securities in issue:				
Debt securities issued in 2010:				
-	21,108	index linked debt securities due 2014	-	21,108
Debt securities issued in 2011				
-	30,649	index linked debt securities due 2014	-	30,649
1,480	1,441	index linked debt securities due 2015	1,480	1,441
4,413	4,249	index linked debt securities due 2016	4,413	4,249
3,880	3,767	index linked debt securities due 2017	3,880	3,767
Debt securities issued in 2012				
-	1,902	index linked debt securities due 2014	-	1,902
11,363	11,122	index linked debt securities due 2015	11,363	11,122
5,617	5,788	index linked debt securities due 2016	5,617	5,788
7,543	7,182	index linked debt securities due 2017	7,543	7,182
Debt securities issued in 2013				
-	8,260	index linked debt securities due 2014	-	8,260
19,634	19,464	index linked debt securities due 2016	19,634	19,464
2,612	2,624	index linked debt securities due 2017	2,612	2,624
-	-		-	-
Debt securities issued in 2014				
2,528	-	index linked debt securities due 2015	2,528	-
11,547	-	index linked debt securities due 2017	11,547	-
1,770	-	index linked debt securities due 2018	1,770	-
72,387	117,556	Total debt securities in issue	72,387	117,556

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NOTE 32 ACCRUED EXPENSES, OTHER LIABILITIES AND PROVISIONS

The Group			The Bank	
2014	2013		2014	2013
		Other financial liabilities		
11,654	10,863	Amounts outstanding for clearance	11,654	10,863
15,974	4,222	Not settled clients funds from trading with securities	15,974	4,222
41,730	47,963	Deposit Insurance Fund amounts owed to Snoras depositors	41,730	47,963
4,899	4,750	Prepayments for finance lease	4,899	4,750
		Accounts payable for assets purchased under finance lease		
1,994	2,041		1,994	2,041
11,258	1,583	Provisions for off balance sheet items	11,258	1,583
20,331	31,735	Factoring payables	20,331	31,735
12,490	8,377	Other financial liabilities	12,451	8,377
120,330	111,534	Total other financial liabilities	120,291	111,534
		Non financial liabilities		
354	962	Taxes	323	934
15,971	18,917	Vacation reserve accrual	15,912	18,736
8,837	8,488	Prepayments for operating lease	8,837	8,488
17,796	4,348	Other liabilities	17,794	4,304
42,958	32,715	Total other non financial liabilities	42,866	32,462
163,288	144,249	Total other liabilities and provisions	163,157	143,996

After the collapse of Bank Snoras in the fourth quarter of 2011 the state enterprise Indėlių ir Investicijų Draudimas ('Deposit and Investment Insurance Fund') selected AB SEB bankas for payment of insurance compensations to the depositors (private individuals and Vilnius region enterprises) of Bank Snoras. Amount of LTL 41,730 thousand (2013: LTL 47,963 thousand) represent funds received from the state enterprise Indėlių ir Investicijų Draudimas but not yet distributed to the Bank Snoras depositors.

Provisions for off balance sheet items have been made in respect of costs arising from contingent liabilities and contractual commitments, including guarantees and credit commitments. Change in the provisions are reflected in income statement.

The Group			The Bank	
2014	2013		2014	2013
		Accrued financial liabilities		
5,351	9,447	Accrued financial liabilities	4,808	8,583
		Non financial liabilities		
42,741	42,375	Other accrued expenses	40,431	42,195
48,092	51,822	Total accrued expenses	45,239	50,778

NOTE 33 SHAREHOLDERS' EQUITY

As of 31 December 2014 and 2013 the share capital of the Bank consisted of 15,441,423 ordinary shares with par value LTL 67 each. All issued shares are fully paid. 100 percent of shares of the Bank is owned by company Skandinaviska Enskilda Banken AB (publ), registered in the Kingdom of Sweden.

Reserve capital, which as of 31 December 2014 amounted to LTL 2,200 thousand (2013: LTL 2,200 thousand) for the Bank and LTL 2,200 thousand (2013: LTL 2,200 thousand) for the Group, in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses or used for the increase of share capital.

As of 31 December 2014 legal reserve was LTL 350,472 thousand (2013: LTL 287,327 thousand) for the Bank and LTL 352,347 thousand (2013: LTL 289,202 thousand) for the Group, in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses.

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NOTE 33 SHAREHOLDERS' EQUITY (CONTINUED)

Financial assets revaluation reserve (deficit) represents available for sale securities revaluation gain (loss). The financial assets reserve movement in 2014 amount consists of the following:

The Group			The Bank	
2014	2013		2014	2013
2,064	1,565	Government securities – change in revaluation	2,064	1,565
201	256	Government securities - amortization of revaluation	201	256
(340)	(273)	Tax recognised in equity (note 13)	(340)	(273)
1,925	1,548	Net change in available for sale investments, net of deferred tax	1,925	1,548

As of 31 December 2014 general and other reserves represent general reserve for possible losses in amount of LTL 9,338 thousand (2013: LTL 9,338 thousand), that can only be offset with the current losses and share based compensation reserve in amount of LTL 1,538 thousand (2013: LTL 6,393 thousand), that will be paid in the share capital equivalent of Skandinaviska Enskilda Banken AB (publ) Class A shares to employees participating in the share based premium program.

The Share Savings Programme concerns all employees of the Group and the Bank and is designed to support “One SEB” and create a long-term commitment to SEB. The employees have been offered to purchase Class A-shares for an amount corresponding to five per cent of their gross base salary and for the amount, at current stock exchange rate. Purchases are made during four periods, following the publication of the Bank’s quarterly reports. If the shares are retained by the employee for three years from the investment date and the participant remains with SEB during this time, the Bank will give the employee one SEB share (Class A-share) for each retained share.

The Group also offers special long-term equity based programmes to selected key employees with allotment based on individual performance. The purpose of the programmes is to reward senior managers and other key employees and stimulate them to become shareholders and thereby aligning their interests and perspectives with those of the shareholders.

The costs of Share Savings Programme incurred by the Group during the year 2013 were LTL 1,538 thousand (2013: LTL 1,599 thousand) accounted in other administrative expenses in the income statement.

The above described share-based payments are treated as equity-settled because the Group has no obligation to settle the transactions related to the Share Savings Programme.

As of 31 December 2014 and 2013 the single shareholder is as follows:

Name of shareholder	Number of shares held	Percentage in total
Skandinaviska Enskilda Banken AB (publ)	15,441,423	100.00
Total	15,441,423	100.00

NOTE 34 ASSETS UNDER MANAGEMENT

The Group			The Bank	
2014	2013		2014	2013
29,994	86,181	Customers funds	-	-
900,715	757,743	Financial instruments acquired at customer account	-	-
2,081,202	1,842,752	Accounts receivable from customer assets managed on trust basis	-	-
3,011,911	2,686,676	Total assets under management	-	-

All assets management services are performed by UAB “SEB investicijų valdymas”. For the year ended 31 December 2014 the management fee for funds management amounted to LTL 17,417 thousand (2013: LTL 15,827 thousand) and it is included in ‘Net fee and commission income’ line in the income statement.

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NOTE 35 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY

The relationship between the maturity of assets and liabilities is indicative of liquidity risk and the extent to which it may be necessary to raise funds to meet outstanding obligations. The table below allocates assets and liabilities to maturity groups based on the time remaining from the balance sheet date to the contractual maturity or actual maturity, if known earlier. The Bank's liquidity analysis as of 31 December 2014:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Assets							
Cash in hand	342,529	-	-	-	-	-	342,529
Balances with the Central Banks	3,680,417	-	-	-	-	-	3,680,417
Financial instruments – available for sale, designated at fair value, loans and receivables	166,394	190,712	154,969	762,346	171,429	-	1,445,850
Derivative financial instruments	190,883	832	779	27,081	186,447	-	406,022
Loans to credit institutions and due from banks, net	869,526	-	-	-	1,465	-	870,991
Loans to customers, net	1,212,675	1,509,378	1,966,342	2,907,693	6,887,422	373,315	14,856,825
Financial lease receivables, net of impairment losses	127,727	153,699	192,951	617,093	243,618	22,139	1,357,227
Investment securities – available for sale	-	-	-	-	-	200	200
Investment securities – held to maturity	-	15,045	-	-	-	-	15,045
Investments in subsidiaries	-	-	-	-	-	34,900	34,900
Intangible assets	-	-	-	-	-	38,711	38,711
Property and equipment	-	-	-	-	-	26,659	26,659
Investment property	-	-	-	-	-	10,909	10,909
Other assets, net	607	116	108	508	3,028	208,008	212,375
Total assets	6,590,758	1,869,782	2,315,149	4,314,721	7,493,409	714,841	23,298,660
Liabilities and shareholders' equity							
Amounts owed to the							
Central Banks	59	-	-	-	-	-	59
Amounts owed to credit institutions	1,753,461	8,299	693,529	1,856,089	79,415	-	4,390,793
Derivative financial instruments	186,625	742	1,009	39,681	185,174	-	413,231
Deposits from the public	13,624,259	700,624	1,000,206	109,554	17,149	-	15,451,792
Debt securities in issue	2,455	7,114	5,803	55,245	1,770	-	72,387
Other liabilities and provisions	200,643	8,187	8,295	1,192	10,263	16,154	244,734
Equity	-	-	-	-	-	2,725,664	2,725,664
Total liabilities and shareholders' equity	15,767,502	724,966	1,708,842	2,061,761	293,771	2,741,818	23,298,660
Net assets (liabilities) before off balance sheet items	(9,176,744)	1,144,816	606,307	2,252,960	7,199,638	(2,026,977)	-
Off balance sheet items (net)	(3,037,010)	(241,867)	(211,792)	(101,503)	(18,481)	(6,435)	(3,617,088)
Net assets (liabilities)	(12,213,754)	902,949	394,515	2,151,457	7,181,157	(2,033,412)	(3,617,088)

The Bank's liquidity analysis as of 31 December 2013:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Total assets	6,472,894	1,864,898	2,318,628	4,581,521	7,327,999	1,041,052	23,606,992
Total liabilities and shareholders' equity	13,483,973	1,215,070	2,076,778	3,185,382	1,041,560	2,604,229	23,606,992
Off balance sheet items (net)	(2,642,804)	(214,801)	(156,902)	(52,519)	(5,862)	(20,076)	(3,092,964)
Net assets (liabilities)	(9,653,883)	435,027	84,948	1,343,620	6,280,577	(1,583,253)	(3,092,964)

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NOTE 35 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY (CONTINUED)

The Group's liquidity analysis as of 31 December 2014:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Assets							
Cash in hand	342,529	-	-	-	-	-	342,529
Balances with the Central Banks	3,680,417	-	-	-	-	-	3,680,417
Financial instruments – available for sale, designated at fair value, loans and receivables	166,394	191,045	154,969	762,346	171,736	71,740	1,518,230
Derivative financial instruments	190,883	832	779	27,081	186,447	-	406,022
Loans to credit institutions and due from banks, net	869,526	-	-	-	1,465	-	870,991
Loans to customers, net	1,212,671	1,509,378	1,928,865	2,911,787	6,887,422	373,320	14,823,443
Financial lease receivables, net of impairment losses	127,721	153,690	192,934	617,021	243,491	22,139	1,356,996
Investment securities – available for sale	-	-	-	-	-	200	200
Investment securities – held to maturity	-	15,045	-	-	-	-	15,045
Intangible assets	-	-	-	-	-	38,711	38,711
Property and equipment	-	-	-	-	-	27,042	27,042
Investment property	-	-	-	-	-	10,909	10,909
Other assets, net	2,861	572	108	508	3,028	206,073	213,150
Total assets	6,593,002	1,870,562	2,277,655	4,318,743	7,493,589	750,134	23,303,685
Liabilities and shareholders' equity							
Amounts owed to the Central Banks	59	-	-	-	-	-	59
Amounts owed to credit institutions	1,753,461	8,299	693,529	1,856,089	79,415	-	4,390,793
Derivative financial instruments	186,625	742	1,009	39,681	185,174	-	413,231
Deposits from the public	13,600,036	700,624	1,000,206	109,554	17,149	-	15,427,569
Debt securities in issue	2,455	7,114	5,803	55,245	1,770	-	72,387
Other liabilities and provisions	201,254	8,940	10,465	1,257	10,263	16,154	248,333
Equity	-	-	-	-	-	2,751,313	2,751,313
Total liabilities and shareholders' equity	15,743,890	725,719	1,711,012	2,061,826	293,771	2,767,467	23,303,685
Net assets (liabilities) before off balance sheet items	(9,150,888)	1,144,843	566,643	2,256,917	7,199,818	(2,017,333)	-
Off balance sheet items (net)	(3,029,531)	(241,867)	(211,792)	(101,503)	(18,481)	(6,435)	(3,609,609)
Net assets (liabilities)	(12,180,419)	902,976	354,851	2,155,414	7,181,337	(2,023,768)	(3,609,609)

The Group's liquidity analysis as of 31 December 2013:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Total assets	6,475,623	1,864,918	2,279,573	4,594,410	7,327,999	1,048,423	23,590,946
Total liabilities and shareholders' equity	13,464,187	1,217,316	2,076,681	3,185,407	1,041,560	2,605,795	23,590,946
Off balance sheet items (net)	(2,637,605)	(214,801)	(156,902)	(52,519)	(5,862)	(20,076)	(3,087,765)
Net assets (liabilities)	(9,626,169)	432,801	45,990	1,356,484	6,280,577	(1,577,448)	(3,087,765)

The Group		The Bank	
2014	2013	2014	2013

Liquidity ratio 32.95% 38.85% 32.89% 38.81%

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NOTE 35 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY (CONTINUED)

Liquidity ratio is calculated according to the requirements of the Central Bank of Lithuania, i.e. proportion of the Bank's liquid assets against the current liabilities should not be less than 30 per cent.

As of 31 December 2014 and 2013 and during these years the Group's and the Bank's liquidity ratio exceeded the statutory minimum (30 per cent) required by the Bank of Lithuania.

Tables above show assets and liabilities structure by contractual/actual maturities and is analysed by management for compliance with regulatory requirements. In addition to this, when managing liquidity, Treasury is using expected maturities, which are based on historical evidence (e.g. in respect of current deposits from public portfolio staying on balance sheet much longer than 3 months). Based on this data and also taking into account credit line facility from the Parent as available liquidity reserve, liquidity is manageable within the 12 months from the balance sheet date.

NOTE 36 CAPITAL ADEQUACY

The Group's regulatory capital as managed by its central Group Treasury is divided into two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), reserve capital, retained earnings;
- Tier 2 capital: qualifying subordinated loan capital, general and other reserves, qualifying current year profit;
- Deductible amounts: the book value of intangible assets; investments in credit and financial institutions above 10 percent of their equity; and IRB provision shortfall.

The risk-weighted assets are measured by using two methods – Standardized and Internal Ratings Based Approach (IRB). According to Standardized method assets are divided into 16 asset classes, IRB – 7. Considering the method used asset class, eligible collateral or guarantees, risk classes, scoring pools, country of the counterparty and other factors risk weight to every exposure is assigned.

The table below summarises the components of capital adequacy calculation and the ratios of the Group and the Bank for the years ended 31 December 2014:

	The Group	The Bank
Tier 1 capital (less intangible assets)	2,340,607	2,332,140
Tier 2 capital	68,072	68,381
of which IRB provision excess	59,742	59,742
Less deductible investments	-	-
Less IRB provision shortfall	-	-
Risk weighted assets	11,767,769	11,794,902
of which risk weighted assets due to transitional capital requirements	-	-
Capital adequacy ratio before adjustment of capital requirements according to Basel II requirements as of 31 December 2014	20.47%	20.35%
Capital adequacy ratio according to Basel II requirements as of 31 December 2014	20.47%	20.35%

The table below summarises the components of capital adequacy calculation and the ratios of the Group and the Bank for the years ended 31 December 2013:

	The Group	The Bank
Tier 1 capital (less intangible assets)	2,341,575	2,333,235
Tier 2 capital	69,979	69,979
of which IRB provision excess	69,979	69,979
Less deductible investments	-	(8,064)
Less IRB provision shortfall	-	-
Risk weighted assets	15,470,588	15,440,588
of which risk weighted assets due to transitional capital requirements	-	-
Capital adequacy ratio before adjustment of capital requirements according to Basel II requirements as of 31 December 2013	15.59%	15.51%
Capital adequacy ratio according to Basel II requirements as of 31 December 2013	15.59%	15.51%

As at 31 December 2014 and 2013 the Bank and the Group were compliant with the capital adequacy requirements.

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NOTE 37 NET FOREIGN CURRENCY POSITION

The following table presents the equivalent amount in thousands of LTL of the net position of assets and liabilities denominated in currencies other than LTL as of 31 December 2014:

The Group			Rates	The Bank	
Position	Percentage of capital	Currency		Position	Percentage of capital
1,501,376	59.25	EUR	3.4528	1,486,295	58.84
(27,577)	(1.09)	U.S. Dollars (USD)	2.8387	(27,516)	(1.09)
74	0.00	Canadian Dollars (CAD)	2.44	74	-
(43)	(0.00)	Russian Rubles (RUB)	0.0502	(43)	0.00
2,597	0.10	The remaining long positions	N/A	2,597	0.10
(605)	(0.02)	The remaining short positions	N/A	(674)	(0.03)
28,225	1.11	Open long position	N/A	28,233	1.12

As of 31 December 2013:

The Group			Rates	The Bank	
Position	Percentage of capital	Currency		Position	Percentage of capital
1,822,457	75.57	EUR	3.4528	1,808,547	75.51
(1,222)	(0.05)	U.S. Dollars (USD)	2.5098	(1,158)	(0.05)
27	-	Canadian Dollars (CAD)	2.3429	27	-
574	0.02	Russian Rubles (RUB)	0.07673	574	0.02
7,303	0.30	The remaining long positions	N/A	6,769	0.29
(451)	(0.02)	The remaining short positions	N/A	(451)	(0.02)
7,904	0.33	Open long position	N/A	7,370	0.31

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

As of 31 December 2014 and 2013 the Group complied with the foreign currency open position requirements set forth by the Bank of Lithuania.

Foreign exchange risk has also been measured by using Value at Risk model, see note 38.

NOTE 38 INTEREST RATE RISK MANAGEMENT

The Group's interest rate sensitivity in case of parallel shift by 1 p.p. in the yield curve, is presented in the table below:

Interest rate sensitivity	2014	2013
Effect to the market value of shareholders equity (delta 1%)	54,556	50,858
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Bank)	2,734	2,388
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Group)	2,734	2,386

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NOTE 38 INTEREST RATE RISK MANAGEMENT (CONTINUED)

Value at Risk assessment results on total portfolios positions:

The Group			The Bank	
2014	2013		2014	2013
6,213	14,987	Interest rate risk (stand-alone)	6,213	14,987
572	895	Credit spread risk (stand-alone)	572	895
13	37	Foreign exchange risk (stand-alone)	13	37
13	6	Equity price risk (stand-alone)	13	6
(45)	(488)	Diversification effect	(45)	(488)
6,766	15,437	Total	6,766	15,437

VaR figures in table above include both banking and trading books.

In 2014, the market VaR decreased as compared with 2013 as a result of lower fluctuations in the market. Higher financial market stability and lower fluctuations in financial instruments are factors that determine lower market risk.

The table below provides the Group's interest rate gap analysis as of 31 December 2014:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	12,320,088	366,915	2,161,693	14,848,696
Finance lease receivable, net	1,303,988	49,530	12,558	1,366,076
Debt securities	527,452	762,346	171,737	1,461,535
Interbank deposits and net loans	1,924,925	-	-	1,924,925
Off balance sheet assets	1,466,764	584,244	830,661	2,881,669
Total interest rate sensitive assets	17,543,217	1,763,035	3,176,649	22,482,901
Liabilities				
Term deposits	3,357,723	108,594	16,499	3,482,816
Interbank deposits and loans	2,017,618	1,856,089	79,414	3,953,121
Other liabilities	14,574	53,170	1,754	69,498
Off balance sheet liabilities	1,704,315	401,246	771,963	2,877,524
Total interest rate sensitive liabilities	7,094,230	2,419,099	869,630	10,382,959
Gap	10,448,987	(656,064)	2,307,019	12,099,942
Assets, non sensitive to interest rate				3,702,453
Liabilities and equity, non sensitive to interest rate				15,798,250

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NOTE 38 INTEREST RATE RISK MANAGEMENT (CONTINUED)

The table below provides the Group's interest rate gap analysis as of 31 December 2013:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	12,534,430	421,028	2,284,473	15,239,931
Finance lease receivable, net	1,379,103	48,290	9,962	1,437,355
Debt securities	474,970	620,685	78,282	1,173,937
Interbank deposits and net loans	3,574,243	-	-	3,574,243
Off balance sheet assets	1,984,138	2,024,966	3,334,043	7,343,147
Total interest rate sensitive assets	19,946,884	3,114,969	5,706,760	28,768,613
Liabilities				
Term deposits	3,471,082	123,463	14,019	3,608,564
Interbank deposits and loans	3,073,408	2,926,874	735,446	6,735,728
Other liabilities	58,742	40,808	12,649	112,199
Off balance sheet liabilities	1,738,990	2,207,964	3,396,194	7,343,148
Total interest rate sensitive liabilities	8,342,222	5,299,109	4,158,308	17,799,639
Gap	11,604,662	(2,184,140)	1,548,452	10,968,974
Assets, non sensitive to interest rate				2,165,480
Liabilities and equity, non sensitive to interest rate				13,134,455

The table below provides the Bank's interest rate gap analysis as of 31 December 2014:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	12,357,563	366,915	2,158,551	14,883,029
Finance lease receivable, net	1,304,026	49,603	12,680	1,366,309
Debt securities	527,119	762,346	171,430	1,460,895
Interbank deposits and net loans	1,924,926	-	-	1,924,926
Off balance sheet assets	1,466,764	584,244	830,661	2,881,669
Total interest rate sensitive assets	17,580,398	1,763,108	3,173,322	22,516,828
Liabilities				
Term deposits	3,370,626	108,594	16,499	3,495,719
Interbank deposits and loans	2,017,618	1,856,089	79,414	3,953,121
Other liabilities	14,574	53,170	1,754	69,498
Off balance sheet liabilities	174,316	401,246	771,963	1,347,525
Total interest rate sensitive liabilities	5,577,134	2,419,099	869,630	8,865,863
Gap	12,003,264	(655,991)	2,303,692	13,650,965
Assets, non sensitive to interest rate				3,663,501
Liabilities and equity, non sensitive to interest rate				15,780,322

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NOTE 38 INTEREST RATE RISK MANAGEMENT (CONTINUED)

The table below provides the Bank's interest rate gap analysis as of 31 December 2013:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	12,574,300	421,028	2,274,273	15,269,601
Finance lease receivable, net	1,379,193	48,341	9,962	1,437,496
Debt securities	474,636	620,352	78,282	1,173,270
Interbank deposits and net loans	3,574,243	-	-	3,574,243
Off balance sheet assets	1,984,138	2,024,966	3,334,043	7,343,147
Total interest rate sensitive assets	19,986,510	3,114,687	5,696,560	28,797,757
Liabilities				
Term deposits	3,485,985	123,463	14,019	3,623,467
Interbank deposits and loans	3,073,408	2,926,874	735,446	6,735,728
Other liabilities	58,742	40,808	12,649	112,199
Off balance sheet liabilities	1,738,990	2,207,964	3,396,194	7,343,148
Total interest rate sensitive liabilities	8,357,125	5,299,109	4,158,308	17,814,542
Gap	11,629,385	(2,184,422)	1,538,252	10,983,215
Assets, non sensitive to interest rate				2,152,382
Liabilities and equity, non sensitive to interest rate				13,135,598

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NOTE 39 COMPLIANCE WITH REGULATORY REQUIREMENTS

As of 31 December 2014 both the Group and the Bank were in compliance with the maximum lending to one customer, large exposure, related party lending, investment and open foreign currency position limits established by the Central Banks. During the year neither the Group nor the Bank received any sanctions from the Bank of Lithuania.

The local legislation require banks to prepare consolidated accounts for group entities engaged in financial services activities without consolidation of entities involved in other activities. To comply with this requirement the Bank consolidated all its subsidiaries except for UAB "SEB Venture Capital", venture capital company, and presents this information in this note.

**Income Statement of the Group excluding UAB "SEB Venture Capital" entity
for the year ended 31 December 2014**

	2014	2013
Interest income	461,140	470,532
Interest expenses	(144,368)	(182,249)
Net interest income	316,772	288,283
Impairment loss on loans	(11,752)	(80,673)
Impairment reversals on lease portfolio	1,533	33,415
Provisions for guarantees and other off balance sheet items	(9,245)	4,567
Other impairment losses	11	-
Total impairment (losses)/reversals	(19,453)	(42,691)
Net interest income after provisions	297,319	245,592
Net service charges and other income	205,484	203,057
Net gain on equity investments	(601)	(1,073)
Net loss on operations with debt securities and financial instruments	7,613	23,182
Net foreign exchange gain	63,030	71,306
Staff costs	(132,691)	(128,285)
Other administrative expenses	(138,975)	(170,130)
Profit before income tax	301,179	243,649
Income tax	(74,916)	(31,212)
Net profit for the year	226,263	212,437
Attributable to:		
Owners of the Bank	226,263	212,437
Non controlling interest	-	-
	226,263	212,437

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 39 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

**Statement of Comprehensive Income for the Group excluding
UAB "SEB Venture Capital" entities
for the year ended 31 December 2014**

	<u>2014</u>	<u>2013</u>
Net profit for the year	226,263	212,437
<i>Items that may subsequently be reclassified to the income statement</i>		
Net gain on available for sale assets	2,064	1,565
Amortisation of financial assets revaluation reserve of reclassified financial assets	201	256
Income tax relating to the components of other comprehensive income	(340)	(273)
<i>Items that will not be reclassified to the income statement</i>	-	-
Total other comprehensive income/ (loss)	1,925	1,548
Total comprehensive income	228,188	213,985
Attributable to:		
Owners of the Bank	228,188	213,985
Non controlling interest	-	-
	228,188	213,985

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NOTE 39 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

**Statement of Financial Position of the Group excluding UAB "SEB Venture Capital"
entity
as of 31 December 2014**

	2014	2013
Assets		
Cash in hand	342,529	418,136
Balances with the Central Banks	3,680,418	935,323
Due from banks, net	832,792	3,691,046
Government securities available for sale	61,422	59,895
Financial assets at fair value through profit and loss	1,195,906	909,613
Derivative financial instruments	406,022	259,288
Loans to credit institutions	38,199	86,077
Loans to customers	14,856,824	15,191,785
Finance lease receivable	1,356,996	1,428,320
Investment securities:		
- loans and receivables	189,162	191,126
- available for sale	200	200
- held to maturity	15,045	13,302
Investments in subsidiaries	25,000	25,000
Intangible fixed assets	38,711	48,239
Property, plant and equipment	26,934	24,575
Assets under operating lease	-	-
Non-current assets held for sale	2,240	3,924
Investment property	10,909	14,047
Deferred tax asset	129,046	167,628
Other assets, net	81,387	130,760
Total assets	23,289,742	23,598,284
Liabilities		
Amounts owed to the Central Banks	59	33
Amounts owed to credit institutions	4,390,793	7,177,824
Derivative financial instruments	413,231	270,943
Deposits from the public	15,432,315	13,225,129
Accrued expenses and deferred income	45,940	51,802
Income tax payable	36,953	2,135
Debt securities in issue	72,387	117,556
Other liabilities and provisions	163,278	144,218
Total liabilities	20,554,956	20,989,640
Equity		
Equity attributable to equity holder of the parent		
Paid in capital	1,034,575	1,034,575
Reserve capital	2,200	2,200
Financial assets revaluation reserve	(624)	(2,550)
Legal reserves	351,462	288,317
General and other reserves	10,876	15,731
Net income for the period and retained earnings	1,336,297	1,270,371
	2,734,786	2,608,644
Non controlling interest	-	-
Total equity	2,734,786	2,608,644
Total liabilities and equity	23,289,742	23,598,284

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NOTE 39 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

**Statement of Changes in Equity of the Group excluding UAB "SEB Venture Capital" entity
for the year ended 31 December 2014**

	Equity attributable to the owners of the Bank								
	Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total before non controlling interest	Non controlling interest	Total
31 December 2012	1,034,575	2,200	(4,098)	238,727	14,132	1,134,746	2,420,282	-	2,420,282
Change in fair value measurement of financial assets	-	-	-	-	-	(27,222)	(27,222)	-	(27,222)
Adjusted balance as of 31 December 2011	1,034,575	2,200	(4,098)	238,727	14,132	1,107,523	2,393,059	-	2,393,059
Net change in available for sale investments, net of deferred tax	-	-	1,292	-	-	-	1,292	-	1,292
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	256	-	-	-	256	-	256
Net loss for the period	-	-	-	-	-	212,437	212,437	-	212,437
<i>Net income (loss) recognized directly in equity</i>	-	-	1,548	-	-	212,437	213,985	-	213,985
Share-based compensation	-	-	-	-	1,599	-	1,599	-	1,599
Transfer to reserves	-	-	-	49,590	-	(49,590)	-	-	-
31 December 2013	1,034,575	2,200	(2,550)	288,317	15,731	1,270,371	2,608,644	-	2,608,644
Net change in available for sale investments, net of deferred tax	-	-	1,724	-	-	-	1,724	-	1,724
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	201	-	-	-	201	-	201
Net income for the period	-	-	-	-	-	226,263	226,263	-	226,263
<i>Net income recognized directly in equity</i>	-	-	1,925	-	-	226,263	228,188	-	228,188
Other movements	-	-	-	-	(6,393)	6,393	-	-	-
Dividends	-	-	-	-	-	(103,584)	(103,584)	-	(103,584)
Share-based compensation	-	-	-	-	1,538	-	1,538	-	1,538
Transfer to reserves	-	-	-	63,145	-	(63,145)	-	-	-
31 December 2014	1,034,575	2,200	(624)	351,462	10,876	1,336,297	2,734,786	-	2,734,786

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NOTE 39 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

**Statement of Cash Flows of the Group excluding UAB "SEB Venture Capital"
entity
for the year ended 31 December 2014**

	2014	2013
Cash from operating activities		
Interest income received	444,455	469,055
Interest expenses paid	(154,957)	(201,310)
Net foreign currency exchange gain	55,312	57,398
Net gain in securities trading and financial instruments	14,961	(2,381)
Net (loss) gain in derivatives trading	(8,579)	(5,857)
Net commission and service income	205,001	203,488
Staff costs	(135,345)	(132,973)
Other payments	(112,612)	(141,160)
Net cash from operating activities before change in operating assets	308,236	246,260
Changes in operating assets		
(Decrease) increase in compulsory balances with the Central Bank	(2,051,984)	92,210
Decrease (increase) in due from banks and loans to credit and financial institutions	3,135,214	(2,767,194)
Decrease in loans to customers	316,283	363,267
Decrease of finance lease receivable	77,061	119,191
Decrease (increase) in other current assets	12,700	(19,707)
Net change in operating assets	1,489,274	(2,212,233)
Changes in operating liabilities		
Increase in deposits from public	2,209,197	441,270
Increase in accrued expenses, deferred income and other liabilities	47,123	4,160
Net change in operating liabilities	2,256,320	445,430
Net cash from operating activities before income tax	4,053,830	(1,520,543)
Income tax paid	-	-
Net cash from (to) operating activities after income tax	4,053,830	(1,520,543)
Cash flow from (used in) investing activities		
Acquisition of tangible and intangible fixed assets, net	(13,398)	(6,867)
Sale of Government securities available for sale	2,563	2,542
Acquisition of other investment securities	(1,486,119)	(1,375,146)
Sale of other investment securities	1,224,409	1,281,169
Cash flow used in investing activities	(272,545)	(98,302)
Cash flow from financing activities		
Dividends paid to the shareholder	(103,583)	
Increase (decrease) in amounts owed to the Central Banks	26	(4)
(Decrease) increase in amounts owed to credit and financial institutions	(2,780,345)	407,310
Proceeds from own issued debt securities	18,359	36,815
Repurchased own issued debt securities	(64,962)	(472,031)
Interest paid for own issued debt securities	(4,195)	(17,144)
Cash received (used in) financing activities	(2,934,699)	(45,054)
Net increase (decrease) in cash/cash equivalents	846,586	(1,663,899)
Cash/cash equivalents 1 January	1,454,891	3,118,790
Cash/cash equivalents 31 December	2,301,477	1,454,891
Specified as follows:		
Balance available for withdrawal with the Central Banks	1,141,880	448,769
Overnight deposits	671,145	385,235
Cash on hand	342,529	418,136
Current accounts with other banks	145,923	202,751
	2,301,477	1,454,891

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NOTE 40 RELATED PARTIES

A number of banking transactions are entered into with related parties in the normal course of business. The transactions with the parent bank include loans, deposits and debt instrument transactions. Transactions within Skandinaviska Enskilda Banken AB (publ) group (excluding the parent bank) during the year can be specified as follows:

The Group			Interest rate %	The Bank	
2014	2013			2014	2013
		Outstanding loan amount	0.05-3.50		
57,848	122,526	at the year end		57,848	122,526
1,232	3,207	Other assets at the year end	-	1,232	2,667
		Outstanding deposit amount			
62,299	77,437	at the year end	0.05	62,299	77,437
13,260	12,723	Other liabilities at year end		13,100	12,365
17	17	Unused granted overdraft facilities		17	17
2,442	5,726	Guarantees received at the year end		2,442	5,726
281	506	Interest income		281	506
(61)	(53)	Interest expense		(61)	(53)
		Other services received and cost			
(4,799)	(5,760)	incurred from SEB group, net		(4,701)	(6,595)

Transactions with parent bank during the year can be specified as follows:

The Group			Interest rate %	The Bank	
2014	2013			2014	2013
		Outstanding loan amount			
694,127	3,521,798	at the year end	0,05-3,50	694,127	3,521,798
		Derivative financial instruments			
293,162	72,919	at the year ended	-	293,162	72,919
977	62	Other assets at the year end	-	977	62
		Outstanding deposit amount			
3,977,230	6,679,239	at the year end		3,977,230	6,679,239
146,112	204,251	Other liabilities at year end	-	146,112	204,251
5,054	59,352	Unused granted overdraft facilities	-	5,054	59,352
		Guarantees issued at the year end	-		
661,600	390,446	Guarantees received at the year end	-	661,600	390,446
19,956	10,736	Interest income	-	19,956	10,736
(82,610)	(113,943)	Interest expense	-	(82,610)	(113,943)
		Other services received and cost			
(413)	(261)	incurred from SEB group, net	-	(675)	(6,195)

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NOTE 40 RELATED PARTIES (CONTINUED)

Transactions between the Bank and its subsidiaries during the year can be specified as follows:

	Interest rate %	The Bank	
		2014	2013
Off-balance sheet commitments as of 31 December:			
Agreements to grant loans	1.33	7,479	5,199
Guarantees issued	-	-	-
Outstanding loan amounts at year end:			
UAB "SEB Venture Capital"	1,25-3,50	37,476	39,970
UAB "SEB investicijų valdymas"	3.5	235	74
Outstanding deposit amounts at year end:			
UAB "SEB Venture Capital"		4,747	271
UAB "SEB investicijų valdymas"	0.05	19,476	20,557
Other assets at year end	-	1,938	2,241
	-		
Interest income	-	547	5,379
Interest expense	-	(17)	(13)
Dividend income	-	7,477	7,351
Other services received and cost incurred from subsidiaries, net	-	8,753	9,871

Transactions with venture capital associates during the year can be specified as follows:

The Group		Interest rate %	The Bank	
2014	2013		2014	2013
28,962	37,467	2,10-2,68	25,820	37,467
3,421	8,533		3,421	8,533
8,300	1,500		8,300	1,500
1,142	1,463	-	190	1,463
	(2)	-		(2)
54	196	-	54	196

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NOTE 42 CONTINGENCIES AND COMMITMENTS

The Group			The Bank		
2014	2013		2014	2013	
3,381,408	2,915,536	Agreements to grant loans	3,388,887	2,920,735	
451,185	610,245	Financial guarantees issued	451,185	610,245	
171,105	132,090	Letters of credit issued	171,105	132,090	
42,485	39,798	Commitments to purchase assets	42,485	39,798	
38	38	Customs financial guarantees collateralised by deposits	38	38	

Legal proceedings

There were several proceedings outstanding against the Group and the Bank at 31 December 2014 and 2013. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

After finalization of tax inspection of the Bank by the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania on-going tax dispute is in process. According to the provisions of the Law on Tax Administration, information about the on-going tax dispute must be held confidential.

Other commitments

The table below presents operating lease commitments for the years 2014 and 2013 when the Group and the Bank is lessee:

The Group			The Bank		
2014	2013		2014	2013	
143,227	132,699	The total of future minimum operating lease commitments under non-cancellable operating leases:	143,227	132,699	
27,146	30,072	<i>up to 1 year</i>	27,146	30,072	
81,156	80,734	<i>1-5 years</i>	81,156	80,734	
34,925	21,893	<i>Over 5 years</i>	34,925	21,893	
(6,898)	(3,954)	The total of future minimum sublease payments to be received under non-cancellable subleases	(6,902)	(3,958)	
30,887	37,160	Operating lease and sublease payments recognised in the income statement:	30,887	37,160	
(3,804)	(3,230)	<i>minimum operating lease payments</i>	(3,933)	(3,415)	
		<i>sublease payments</i>			

All non-cancellable commitments fall into the period within ten years.

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

The Group			The Bank		
2014	2013		2014	2013	
3,145	2,203	Short term deferred income (up to 1 year)	3,149	2,207	
3,493	1,751	Long term deferred income (up to 5 years)	3,493	1,751	
260	-	Long term deferred income (more to 5 years)	260	-	
6,898	3,954	Total future lease and rental payments receivable under non-cancellable operating lease	6,902	3,958	

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NOTE 43 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following financial assets and liabilities as at 31 December 2014 are subject to offsetting, enforceable master netting arrangements and similar agreements:

Enforceable master netting arrangement and similar arrangement						
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets recognised in the balance sheet	Related amounts not set off in the balance sheet	Cash collateral received	Net amount
Assets						
Derivative assets	8,642,677	8,236,655	406,022	4,959	-	401,063
TOTAL	8,642,677	8,236,655	406,022	4,959	-	401,063

Enforceable master netting arrangement and similar arrangement						
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities recognised in the balance sheet	Related amounts not set off in the balance sheet	Cash collateral pledged	Net amount
Liabilities						
Derivative liabilities	8,649,886	8,236,655	413,231	4,959	-	408,272
TOTAL	8,649,886	8,236,655	413,231	4,959	-	408,272
NET	-7,209	-	-7,209	-	-	-7,209

The following financial assets and liabilities as at 31 December 2013 are subject to offsetting, enforceable master netting arrangements and similar agreements:

Enforceable master netting arrangement and similar arrangement						
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets recognised in the balance sheet	Related amounts not set off in the balance sheet	Cash collateral received	Net amount
Assets						
Derivative assets	5,425,982	5,166,694	259,288	355	-	259,643
TOTAL	5,425,982	5,166,694	259,288	355	-	259,643

Enforceable master netting arrangement and similar arrangement						
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities recognised in the balance sheet	Related amounts not set off in the balance sheet	Cash collateral pledged	Net amount
Liabilities						
Derivative liabilities	5,437,637	5,166,694	270,943	355	-	270,588
TOTAL	5,437,637	5,166,694	270,943	355	-	270,588
NET	-11,655	-	-11,655	-	-	-10,945

The tables above show financial assets and liabilities that are presented net in the balance sheet or with potential rights to off-set associated with enforceable master netting arrangements or similar arrangements, together with related collateral. Financial assets and liabilities are presented net in the balance sheet when the Bank has legally enforceable rights to set-off, in the ordinary course of business and in the case of bankruptcy, and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements that are not presented net in the statement of financial position are arrangements that are usually enforceable in the case of bankruptcy or default but not in the ordinary course of business or arrangements where SEB does not have the intention to settle the instruments simultaneously.

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NOTE 44 INTERESTS IN OTHER ENTITIES

At the end of the reporting period AB SEB bankas subsidiary's UAB "SEB Venture Capital" material investment in associates accounted at fair value through profit or loss upon initial recognition is as follows:

Name	Companycode	Address	Type of core activity
UAB "Cgates"	120622256	Ukmergės str. 120, Vilnius	Telekommunikations, means of communications, TV and radio

At the end of the reporting period shares sale agreement of UAB "C gates has been signed by UAB "SEB Venture Capital" subject to approval of local supervisory institutions. After obtainment of the mentioned approvals agreement closing procedure should start.

The table below presents summarised UAB "C gates" financial information as of December 31, 2014 (unaudited) and as of December 31, 2013 (audited):

	2014	2013
Current assets	9,795	15,485
Non-current assets	108,029	106,476
Current liabilities	24,485	21,964
Non-current liabilities	12,288	24,099
Revenue	54,699	52,672
Profit or loss from continuing operations	5,153	6,410
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	5,153	6,410

NOTE 45 EVENTS AFTER THE REPORTING PERIOD

After 31 December 2014 the Bank has not issued non-equity securities issues.

After 31 December 2014 the Bank redeemed 6 non-equity securities issues with the nominal value of LTL 2,419.3 thousand.

Disclosure form concerning the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius

The public company AB SEB bankas (further – the Bank), following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>Principle I: Basic Provisions</p>		
<p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
<p>1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p>YES</p>	
<p>1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.</p>	<p>YES</p>	
<p>1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p>YES</p>	
<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	<p>YES</p>	
<p>Principle II: The corporate governance framework</p>		
<p>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</p>		

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<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders’ meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	<p>YES</p>	
<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company’s management bodies.</p>	<p>YES</p>	
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company’s chief executive officer.</p>	<p>NOT APPLICABLE</p>	
<p>2.4. The collegial supervisory body to be elected by the general shareholders’ meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.¹</p>	<p>YES/ NO</p>	<p>Not all recommendations/ provisions of these principles are adhered to at full extent (comments at each recommendation/ provision).</p>
<p>2.5. Company’s management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.²</p>	<p>YES</p>	<p>The board (executives directors) consists of 5 (five) members. The Supervisory Council consists of 5 (five) members.</p>

¹ Provisions of Principles III and IV are more applicable to those instances when the general shareholders’ meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company’s board and the chief executive officer and to represent the company’s shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company’s chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company’s management bodies is applied to the extent it concerns independence from the chief executive officer.

² Definitions ‘*executive director*’ and ‘*non-executive director*’ are used in cases when a company has only one collegial body.

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<p>2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>	<p>YES</p>	<p>Members of the Supervisory Council are appointed for the four-year tenure. Abiding by the bank's Articles of Association and according to its practice, a member of the Supervisory Council may be re-elected for another tenure. The number of tenures for members of the Supervisory Council is unlimited.</p>
<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>YES</p>	<p>Chairman of the bank's Supervisory Council has never been the chief executive of the bank.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.³</p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>YES</p>	<p>Provisions of the present recommendation are implemented by disclosing information to shareholders on candidates to the Supervisory Council of the Bank. Since 1st January, 2014 the Policy on the Assessment of Suitability of Members of the Management Bodies and Key Function Holders of AB SEB bankas is in place, upon which the assessment of the qualification, reputation and professional experience of each candidate to the Supervisory Council members is being performed according to the criteria set by Bank of Lithuania. The conclusion of the assessment together with all the other information related to the candidates and their current position with the Bank or with its subsidiary companies within the group is provided for the shareholders consideration. Additionally, before electing member of the Supervisory Council the permit of the Bank of Lithuania is obtained. Therefore it is deemed that the shareholder is given sufficiently detailed information that persons elected to collegial body would be able objectively and impartially supervise the performance company's management bodies. Bank has a sole shareholder, thus the requirement to represent minority of shareholders is not relevant.</p>

³ Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

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<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>YES</p>	<p>Member of a collegial body, prior taking the office, declares his existing obligations, discloses information about potential conflicts of interest and commits to ensure that his professional or any other activities not related to the performance of the Bank will not negatively affect the fulfilment of the functions of a member of a collegial body. Additionally, member of collegial body undertakes to immediately notify the Bank about any changes in circumstances for which his statements or commitments would no longer be valid. According to the Policy on the Assessment of Suitability of Members of the Management Bodies and Key Function Holders, the Bank performs the assessment of the suitability of the candidates to collegial body and presents the assessment's results for the shareholder. If any material data changes the person responsible for assessment shall repeatedly assess the suitability of member of collegial body to perform its functions.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>YES</p>	
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>YES</p>	<p>The Supervisory Council periodically performs the self-assessment procedure, during which the suitability of the collegial body as well as each individual member of the collegial body is being evaluated and the action plan for the improvement of the performance is being drafted. Provisions number three and four are also met.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>YES</p>	<p>The qualification, skills and knowledge of the collegial body and all its members is being assessed periodically. After the assessment the action plan for the improvement of performance is being drafted.</p>

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<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient⁴ number of independent⁵ members.</p>	NOT APPLICABLE	<p>The legal acts do not form the obligation to include the independent members into the composition of a collegial body, therefore all of Bank's Supervisory Council members are representing interest of sole shareholder of the Bank. Potential conflicts of interest related to a member of a collegial body are managed by other means approved within the Bank.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 	YES/NO	<p>All members of the Supervisory Council are related to the sole shareholder through the employment relations, but according to the Policy on the Assessment of Suitability of Members of the Management Bodies and Key Function Holders while assessing the candidates suitability, amongst the other criteria, the candidate's independence, ability to carry out the duties independently and prevent from the negative impact from other persons must also be evaluated.</p>

⁴ The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

⁵ It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

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<p>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	<p>YES/NO</p>	<p>A collegial management body did not determine what constitute independence, however when assessing the candidate's independence, ability to carry out the duties independently and prevent from the negative impact from other persons, all the necessary circumstances related to the candidate must be evaluated.</p>
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<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>NO</p>	<p>Comment at 3.6 and 3.7.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>NO</p>	<p>Comment at 3.6 and 3.7.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.⁶. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>NOT APPLICABLE</p>	<p>Comment at 3.6 and 3.7.</p>
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.⁸</p>	<p>YES</p>	<p>The Supervisory Council provides the general annual meeting of shareholders with comments and proposals regarding the strategy of the Bank's activities, its annual consolidated financial statements, draft profit (loss) appropriation, the consolidated annual report of the Bank as well as the activities of the Management Board and President of the Bank, also, it performs other functions of supervising the activities of the Bank and its managing bodies attributed to the competence of the Supervisory Council.</p>

⁶ It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

⁷ See Footnote 3.

⁸ See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

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<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	YES/ NO	<p>According to the data available to the Bank, each member of the Supervisory Council acts in good faith with regard to the company, abiding by the interests of the company and not those of his/her own or any third party, aiming to maintain his/her independence. However, the provision regarding independent members of the Supervisory Council is not observed as there are no such independent members.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	YES	<p>Each member of the Supervisory Council performs his/her duties in a proper manner: by actively participating in the meeting of the collegiate body and by devoting sufficient time of his/her own for the performance of his/her functions as a member of the collegiate body.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	YES	

⁹ It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

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<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>YES/ NO</p>	<p>YES - the Supervisory Council approves the Requirements for internal lending and lending to persons related to the bank, establishes maximum limits for of such lending. However, the provision of the majority vote of independent members is not observed, because, as it has already been mentioned above, there are no independent members in the Supervisory Council.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>YES</p>	

¹⁰ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

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<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees¹¹. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>YES/ NO</p>	<p>There are no independent members in the Supervisory Council. There are Audit and Compliance and Remuneration and Human Resource Committees established in the Bank.. There is one independent member in the Audit and Compliance Committee; however there are no independent members in the Remuneration and Human Resource Committee as the legal acts require committee to be composed from the Council members only.</p> <p>The functions related to nomination of Bank's directors and remuneration of Banks directors are attributed to Remuneration and Human Resources Committee. The decision to establish one committee by merging the abovementioned functions was adopted after the consideration that both of those functions are closely related and depend on each other.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>YES</p>	

¹¹The Law of the Republic of Lithuania on Audit (Official Gazette, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

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<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	<p>YES/ NO</p>	<p>The provision regarding the minimum number of committee members is met. The Audit and Compliance and Remuneration and Human Resource committees are not composed of independent members of the Supervisory Council, as there are no such members in the Supervisory Council at all. There is one independent member in the Audit Committee, but he is not a member of the Supervisory Council.</p>
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>YES/ NO</p>	<p>YES – the Audit and Compliance and Remuneration and Human Resource committees functions in accordance with the regulations approved by the Supervisory Council that establish the authority of the committees. The annual report includes information on composition of the committees and their main activities. NO – the annual report does not include information on the meetings of the committees.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>YES/NO</p>	<p>The Instruction for Remuneration and Human Resource Committee and Instruction for Audit and Compliance Committee do not specify the events when the chairman of the abovementioned committee should maintain a direct communication with the shareholders.</p>

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<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>YES</p>	<p>The Remuneration and Human Resource Committee is in charge of the nomination committee functions as provided in 4.7, including the assessment of the candidates to the management bodies and the periodical assessment of the suitability of the management body and its members.</p>
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the 	<p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p>	<p>Yes – the Remuneration and Human Resource Committee acts according to the Regulations of the Remuneration and Human Resource Committee approved by the Supervisory Council.</p> <p>Yes – the Remuneration and Human Resource Committee submits proposals to the Bank's Supervisory Council regarding the Remuneration Policy of the Bank's Group and amendments thereof, as well as the list of employees accepting the risk of the Bank's Group and other related issues. The Remuneration Policy of the Bank's Group includes all forms of remuneration, including fixed pay and variable pay forms. The Remuneration and Human Resource Committee also submits proposals to the Bank's Supervisory Council regarding the remuneration of the President and Vice-Presidents, members of the Management Board, heads of the Internal Audit, Compliance and Risk Control.</p> <p>Yes – the Remuneration and Human Resource Committee has all necessary information and submits proposals to the Bank's Supervisory Council regarding the individual remuneration of the President and Vice-Presidents, members of the Management Board, heads of the Internal Audit, Compliance and Risk Control.</p>

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<p>remuneration of other executive directors or members of management body and other staff members of the company;</p> <ul style="list-style-type: none"> • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>	<p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>NO</p>	<p>Yes – the Remuneration and Human Resource Committee considers and submits recommendations on the individual remuneration (including pension plans) of the heads of the Bank, which are directly subordinate to the President and the members of the Management Board of the Bank.</p> <p>Yes – the Remuneration and Human Resource Committee prepares long-term employee incentive programs and submits thereof to the Bank's Supervisory Council for approval.</p> <p>There is no such practice. The Remuneration and Human Resource Committee is accountable to the Bank's Supervisory Council, members of which are the representatives of the sole shareholder of the Bank, but when performing of particular committees functions i.e. assessing the suitability of the candidates to the Supervisory Council the Remuneration and Human Resource Committee provides its conclusions and recommendations to the General Meeting of the Shareholders.</p>
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company 	<p>YES</p>	<p>The Audit and Compliance Committee discusses, on regular basis, the external auditors' comments, including the consistency of accounting methods.</p>

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<p>and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <ul style="list-style-type: none"> • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p>	<p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p>	<p>Once a quarter, the Audit and Compliance Committee discusses the internal audit and compliance reports that highlight the main drawbacks in the internal control and risk management, including risks related to the observance of the existing legal acts.</p> <p>In the quarterly internal audit report the Audit and Compliance Committee is provided with information on the status of implementation of the internal audit recommendations. During a meeting reasons are discussed due to which the recommendations have not been implemented in due time. The committee provides recommendations on the selection of the head of internal audit department.</p> <p>Audit company is selected at the SEB Group level. There were no situations leading the audit company to resign.</p> <p>External auditors annually provide the committee with the independence confirmation.</p> <p>The SEB Group has a uniform SEB External Audit Policy, approved by SEB's Audit and Compliance Committees defining the independence of external auditors, providing of services to the SEB Group companies and purchase of other than audit services from external audit.</p> <p>The Audit and Compliance Committee discusses comments provided by external audit provided in a letter to the senior management as well as the comments of the Bank's senior management.</p> <p>Note: The Bank does not carry on activities in any off-shore centres.</p>
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<p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p>	<p>YES</p>	
<p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p>	<p>YES</p>	<p>The regulations of the Internal Audit Department and its work plans are approved by the Audit and Compliance Committee. According to the regulations, the Internal Audit Department is directly reporting to the Chairman of the Supervisory Council, which fact ensures a possibility to directly turn to the Audit and Compliance Committee and/or the Council.</p>
<p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p>	<p>YES</p>	<p>The Audit and Compliance Committee is provided with quarterly internal audit set-format reports. The annual audit plan is also presented to the Audit and Compliance Committee. External auditors inform the Audit and Compliance Committee on regular basis about the audit plans and audit services provided under an agreement.</p>
<p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p>	<p>YES/NO</p>	<p>There is no formal procedure set, but the information on such complaints is provided to the committee together with the other reports.</p>
<p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>	<p>YES</p>	<p>The Supervisory Council is provided for familiarisation with the entire documentation discussed by the Audit and Compliance Committee.</p>
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>YES/NO</p>	<p>The assessment is performed regularly, but information about the assessment and its results is provided only for the supervising authorities as required by the regulatory provisions.</p>

Principle V: The working procedure of the company's collegial bodies		
The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	YES	The meetings of both the Board and the Supervisory Council are chaired, convened and appropriate conducting of the meetings is ensured, respectively, by the Chairman of the Supervisory Council and the Chairman of the Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month ¹² .	YES	Based on the work regulations of the Supervisory Council of the Bank, the Supervisory Council meetings are convened no less than once a quarter (in practice, they are convened more often), and based on the work regulations of the Board of the Bank, meetings are convened no less than once a month (in practice, they are convened once a week).
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	YES	Members of the Board of the Bank are familiarised with the material no less than one banking day prior to the planned meeting of the board, except the extraordinary meetings, when terms could be reduced; members of the Bank's Supervisory Council – no later than 5 calendar days in advance, and in urgent cases – no later than 2 calendar days in advance.

¹² The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

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5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	YES	
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	YES	The Bank's authorised capital consists of ordinary registered shares granting equal voting rights to all holders of the Bank's shares.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	NOT APPLICABLE	The Bank effects public placement of bonds only.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. ¹³ All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	NO	The Bank's Articles of Association do not establish criteria for major transactions based on which criteria transactions would be selected that require an approval of the general shareholders' meeting.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	NOT APPLICABLE	Bank has one shareholder.

¹³ The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

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<p>6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>YES/NO</p>	<p>Documents of the general shareholders' meeting including the minutes, are not publicly accessible, they are, abiding by the laws of the Republic of Lithuania, provided to shareholders for familiarisation and respectively to other persons that have attended the meeting, however the general information related to such decisions is publically available through notifications of the material events.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>YES</p>	<p>The Bank's shareholders may implement the right to attend the general shareholders' meeting both in person and via a proxy, if a person has a required authorisation or if a proxy agreement has been executed with such person pursuant to the procedure established by law, also, the Bank enables shareholders to vote by completing the general voting ballot, as provided for by the Company Law of the Republic of Lithuania.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>NO</p>	<p>The provision is not adhered to its full extent: so far, no necessity has occurred to use terminal equipment of telecommunications at the general shareholders' meetings.</p>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		

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<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>YES</p>	<p>Regarding recommendation 7.3: a decision on lending to a person related to the Bank is taken by the Board by no less than 2/3 of votes of the Board members attending the meeting.</p>
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	<p>YES</p>	
<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>	<p>YES</p>	
<p>7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</p>	<p>YES</p>	<p>When decisions are taken concerning transactions or other issues of personal or business interest to a person, such person abstains from voting.</p>
<p>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.</p>	<p>YES</p>	<p>The remuneration statement is made available to the public at least once a year together with the annual financial statements or by a separate notification and shall also be available on the Bank's website.</p>

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<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	<p>YES/ NO</p>	<p>NO – the remuneration statement does not focus on remuneration policy for the following year. YES - the Remuneration Policy of the Bank's Group establishes the remuneration principles not only to the directors, but also to all employees. The remuneration statement includes decision making process seeking to establish and revise the principles of remuneration policy, and general quantitative information on remuneration to employees by excluding the Bank's management.</p>
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information. 	<p>YES</p>	<p>The remuneration statement, in compliance with the Bank's secret and personal data protection requirements, includes only information required by the legal acts, whereas other information, in Bank's opinion, is not to be placed in public domain from a commercial point of view.</p>

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<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	<p>YES/ NO</p>	<p>The remuneration statement, in compliance with the Bank's secret and personal data protection requirements, includes only information required by the legal acts, whereas other information, in Bank's opinion, is not to be placed in public domain from a commercial point of view.</p> <p>The remuneration statement includes the following general information on implementation of Remuneration Policy of the Bank's Group: allocation of redundancy payments in case of agreements' termination per financial year, number of beneficiaries and maximum amount per person; amount of guaranteed variable pay specified under the new agreements and redundancy payments in case of the agreements' termination per financial year and number of beneficiaries.</p>
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 	<p>YES/ NO</p>	<p>The remuneration statement, in compliance with the bank's secret and personal data protection requirements, includes only information required by the legal acts, whereas other information, in Bank's opinion, is not to be placed in public domain from a commercial point of view.</p> <p>The overall employees' incentive policy is placed in the internal database only.</p> <p>The remuneration statement includes the following general information on implementation of Remuneration Policy of the Bank's Group:</p> <p>1. general quantitative information on employee remuneration (the Bank's top management and employees accepting the risk of the Bank's Group excluded):</p> <ul style="list-style-type: none"> - total amount of fixed and variable pay and the number of beneficiaries; - amount of variable pay split into benefits in cash, pension premiums, equities, equity-linked financial instruments, other financial and non-financial instruments; - amounts of non-disbursed deferred variable pay distributed into portions, allocated and non-allocated for employees; - amounts of disbursed and adjusted variable pay allocated in the specified financial year taking into consideration performance results; - amount of guaranteed variable pay established under the new agreements and redundancy payments in case of agreements' termination per financial year and the number of beneficiaries; - allocation of redundancy payments in case of agreement termination per financial year, the number of beneficiaries and maximum amount per person;

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<p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		<p>2. variable pay portions and all other non-cash benefits' allocation reasons and criteria.</p>
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	YES	
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	YES	<p>Variable pay is linked with performance results, the total remuneration amount shall be based on the overall assessment of the individual, business unit and the Bank's Group results. In order to assess the input of each employee the achieved financial results as well as non-financial criteria shall be taken into account.</p>
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	YES/ NO	<p>The general provision of deferral does not apply to all employees, it applies only to the employees accepting the risk of the Bank's Group</p>
<p>8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.</p>	NO	<p>It is not possible for the Bank to reclaim amounts that were awarded, while amounts that were deferred may be reduced or not awarded at all.</p>
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.</p>	YES	<p>Payments related to termination of the employment contract are established according to the existing acts of law.</p>

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<p>8.11. Termination payments should not be paid if the termination is due to inadequate performance.</p>	<p>YES</p>	<p>Payments related to termination of the employment contract shall be established taking into account the employee's performance results within the recent one-year period of employment at the Bank's Group and also that no reward is paid to employee (no reward for failure) if his/her activity resulted in losses of the Bank's Group, except mandatory payments approved according to the existing acts of law.</p>
<p>8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	<p>YES</p>	<p>The remuneration statement includes information on the decision-making process to identify and review principles of the Remuneration Policy of the Bank's Group, including information on activities of the Remuneration Committee, external consultants, if the latter provided the policy drafting services.</p>
<p>8.13. Shares should not vest for at least three years after their award.</p>	<p>YES</p>	<p>Right to Bank's shareholders Skandinaviska Enskilda Banken AB (publ) shares but not Bank's shares is granted.</p>
<p>8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.</p>	<p>YES</p>	
<p>8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).</p>	<p>YES</p>	
<p>8.16. Remuneration of non-executive or supervisory directors should not include share options.</p>	<p>NOT APPLICABLE</p>	<p>The Bank didn't pay any compensation for the Members of the Supervisory Council for 2014.</p>
<p>8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.</p>	<p>NOT APPLICABLE</p>	
<p>8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	<p>NO</p>	<p>There is no such practice.</p>

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<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>NOT APPLICABLE</p>	
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 	<p>NO</p>	<p>There is no such practice.</p>
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	<p>NO</p>	<p>There is no such practice.</p>
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	<p>NO</p>	<p>There is no such practice.</p>

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<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company’s website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company’s website.</p>	<p>NO</p>	<p>There is no such practice.</p>
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>YES</p>	
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		

<p>Principle X: Information disclosure and transparency</p> <p>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</p>		
<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p>	<p>YES/ NO</p>	<p>The Bank does not adhere to provision 6 under recommendation 10.1 because it is not required by the legal acts and is not important for the Bank.</p> <p>All other information is announced by the Bank in its annual and interim reports as required, as well as via different communication channels: on its website, notifications on material events, press releases, press conferences.</p>
<p>10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p>	<p>YES</p>	
<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company’s supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company’s supervisory and management bodies and chief executive officer as per Principle VIII.</p>	<p>YES/ NO</p>	<p>The Bank discloses this kind of information according to the requirements of laws. General quantitative information on remuneration of the members of the Management Board of the Bank is provided. In addition, yearly amounts calculated to the President of the Bank and the Chief Financial Officer of the Bank are provided separately.</p>

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<p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>YES/ NO</p>	<p>To a certain extent the Bank does not adhere to recommendations 10.4, as in the Bank's opinion the information on the relations between the Bank and persons with an interest in it, such as employees, creditors, suppliers, local community, including the Bank's policy regarding human resources, programmes for employee participation in the Bank's equity, etc. is information not to be placed in public domain, except the information which must be disclosed by the legal acts.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>YES</p>	<p>Notifications on material events are disclosed in such a way that everyone and at the same time would have equal possibilities to access and familiarize with information when such notifications are announced on stock exchange, website and via other channels – press releases, press conferences.</p>
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>YES</p>	<p>Website, notifications on material events, press releases, press conferences are used as tools for wider dissemination of information.</p> <p>Information on services provided by the Bank is available at any branch of the Bank, other information that must be published is available at the Bank's website.</p> <p>Those willing to familiarise with relevant information are provided with such information by the Bank staff at branches or at the Bank at phone 1528 (private customers) or 19222 (corporate customers).</p> <p>Information is provided in Lithuanian and English.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>YES</p>	<p>Taking into account that the Bank is an issuer of listed debt securities, the said documents and information are published on the Bank's website (irrelevant – regarding changes in the price of the company's shares on the Stock Exchange).</p>
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>YES</p>	

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<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>NO</p>	<p>A candidate firm of auditors is proposed to the general shareholders' meeting by the Board of the Bank.</p>
<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>NOT APPLICABLE</p>	<p>The audit company has not rendered any significant non-audit services to the Bank.</p>