



**AB SEB bankas  
Independent auditor's report  
Annual report and Financial statements  
for the year ended 31 December 2015**

18 March 2016

**TABLE OF CONTENTS**

---

	<b>PAGES</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>3 - 4</b>
<b>CONSOLIDATED ANNUAL REPORT</b>	<b>5-22</b>
<b>FINANCIAL STATEMENTS</b>	
<b>INCOME STATEMENT</b>	<b>23</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>24</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>25</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>26-27</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>28-29</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>30-104</b>
<b>APPENDIX 1</b>	<b>105-131</b>

**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.



## **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 23 - 104 which comprise the stand alone and consolidated statement of financial position as of 31 December 2015 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 2015, 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 2015 set out on pages 5 - 22, including its Appendix 1 set out on pages 105 - 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 2015.

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

Vilnius, Republic of Lithuania  
18 March 2016

A handwritten signature in blue ink, featuring a series of vertical and diagonal strokes.

Rasa Selevičienė  
Auditor's Certificate No.000504

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

**CONSOLIDATED ANNUAL REPORT OF AB SEB BANKAS FOR THE YEAR 2015**

**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 2015. All numbers presented are as of 31 December 2015 or for the year then ended, unless specified otherwise. As of 1<sup>st</sup> of January 2015 Lithuania joined euro zone. Euro became a national currency of Lithuania.

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

<b>Issuer's name</b>	<b>AB SEB bankas</b>
Authorised capital	EUR 299,563,606.20
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".

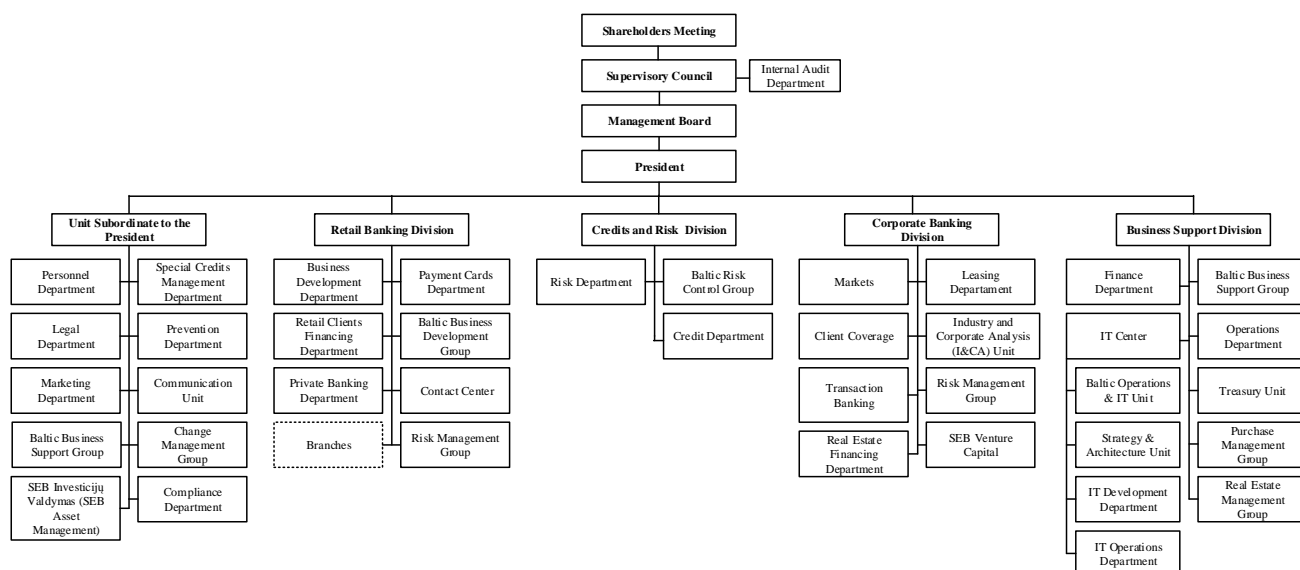
<b>Name</b>	<b>UAB "SEB Venture Capital"</b>
Type of core activities	Own asset investment into other companies' equity and asset management on trust basis
Legal form	Private limited company
Registration date and place	16 October 1997, Vilnius
Company code	124186219
Domicile address	Gedimino ave. 12, LT-01103 Vilnius
Office address	J. Balčikonio ave. 3, LT-08247 Vilnius
Telephone	(8 5) 2682 407
Fax	(8 5) 2682 402
E-mail address	kapitalas@seb.lt
Website address	www.seb.lt

<b>Name</b>	<b>UAB "SEB investicijų valdymas"</b>
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	J. Balčikonio ave. 3, LT-08247 Vilnius
Telephone	(8 5) 2681 594
Fax	(8 5) 2681 575
E-mail address	<a href="mailto:info.invest@seb.lt">info.invest@seb.lt</a>
Website address	<a href="http://www.seb.lt">www.seb.lt</a>

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

**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 2015, AB SEB bankas had 30 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 bankas are not included in either the main or secondary list of "NASDAQ Vilnius" exchange or in trading lists of other regulated markets and their listing is not planned in the nearest future.

As of 31 December 2015, three non-equity securities issues of AB SEB bankas were included in the trading list of the debt securities list of "NASDAQ Vilnius" exchange:

Parameters	Issue
ISIN code	LT0000405060
Number of securities issued (units)	46,575
Nominal value per unit (EUR)	0.01
Total nominal value (EUR)	1,348,905.21
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 (EUR)	0.01
Total nominal value (EUR)	1,125,376.50
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 (EUR)	0.01
Total nominal value (EUR)	1,362,140.86
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.

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

As of 31 December 2015, 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 42 customer service units (6 branches and 36 sub-branches) all over Lithuania.

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

In 2015, AB SEB bankas Group in Lithuania offered a full range of banking services to private individual and corporate customers as well as to financial institutions. The Group in Lithuania consisted of AB SEB bankas and two companies – UAB “SEB investicijų valdymas” and UAB “SEB Venture Capital”.

Within the year 2015, AB SEB bankas Group's assets grew, its operational efficiency improved, the number of new customers increased as did customer activeness, while income and profit decreased as a result of negative interest rate environment and the changeover to the euro.

In 2015, audited net profit earned by AB SEB bankas was EUR 62.1 million, and that earned by AB SEB bankas Group was EUR 58.8 million. In 2014, audited net profit earned by AB SEB bankas was EUR 65.3 million, and that earned by AB SEB bankas Group was EUR 72.4 million.

As at 31 December 2015, AB SEB bankas Group's equity was EUR 804 million (as at 31 December 2014, it was EUR 797 million), i. e. increased by 1 per cent. As at 31 December 2015, AB SEB bankas Group's assets were worth EUR 6.9 billion (as at 31 December 2014, they were worth EUR 6.7 billion), i. e. increased by 3 per cent.

During the year 2015 the Group and The Bank have been compliant with the liquidity requirements set by supervisory authorities.

In the year 2015, AB SEB bankas Group's income was EUR 151.7 million (in 2014, it was EUR 178.5 million), i. e. decreased by 15 per cent: throughout the year, the negative interest rates environment and the changeover to the euro were rendering a negative effect (a drop in interest income, income from cross-border payments and foreign exchange transactions).

As of 31 December 2015, net worth of AB SEB bankas Group's loans and leasing portfolio was EUR 4.9 billion (as of 31 December 2014, it was EUR 4.7 billion), i. e. increased by 4 per cent as a result of a recovery in investments by businesses and higher activity in mortgage lending – the amount issued in loans to private individuals and corporate customers was growing.

Last year, the total amount of new loans issued by AB SEB bankas was EUR 1.6 billion, which is a 9.5 per cent increase as compared to the year 2014. AB SEB bankas, being advisory to small and medium enterprises on such issues as business development and innovations, increased its issuance of new loans to this segment by 43.6 per cent as against the year 2014. Active housing market, stronger expectations of private individuals regarding their future income and the national economy and, partly, more rigorous responsible lending requirements that took effect in November prompting part of the population to act fast and borrow before this deadline, determined a 41 per cent increase in AB SEB bankas' new mortgage loans year-on-year.

As at 31 December 2015, AB SEB bankas' deposit portfolio was EUR 4.8 billion (as at 31 December 2014, it was EUR 4.5 billion), i. e. increased by 7 per cent.

Last year, AB SEB bankas successfully implemented changes in payments' process, when Lithuania joined the Single Euro Payments Area (SEPA) that covers thirty four states, and made a smooth launch of e-invoice service.

Taking into account the changing habits of private individuals and business needs, last year the Bank was rapidly expanding its infrastructure of payment cards, installing nearly 3 thousand new POS terminals, which is a 15 per cent increase as compared to the year 2014. The fact that customers are increasingly less willing to bother producing cash out of their wallets when paying is reflected in an upswing in the share of payments by card, which in 2015 was 35 per cent.

In 2015 it was observed that private individuals are ever more willing to handle their daily financial matters on their own, and they visit the bank units when they need advice on financial matters, therefore, last year the bank continued investing in the improvement and renewal of its customer service network: new self-service areas were opened, some units were rearranged into financial advice units where bank employees focus exclusively on advising customers.

Over a year, the number of registered SEB Internet Bank users increased by 46 thousand and at the close of the year 2015 it was 1.2 million, i. e. increased by 4 per cent year-on-year. As much as 31 per cent of all SEB Internet Bank users were logging in to the Internet bank via mobile devices (as at 31 December 2014, this share was 23 per cent).

The number of cash crediting transactions at cash-accepting ATMs increased by 4 per cent year-on-year, whereas the number of cash crediting transactions at the bank units dropped by 34 per cent over the same period.

Over a year, the share of payments by card by SEB Bank in Lithuania customers, as compared to payments in cash, increased – in 2015, relevant ratio reached 35 per cent. It means that of all the money that SEB customers spent paying by card and in cash, 35 per cent were paid by card. In 2014, this share was 32 per cent. Within the year 2015, an increase in payments by bank cards was 8 per cent.

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

At the end of December 2015, AB SEB bankas had 42 customer service sub-branches all over Lithuania, of which 9 were financial advice units. Customers of AB SEB bankas have access to an ATM network which is the largest one in Lithuania and includes ATMs of both SEB and DNB banks, i.e. 537 ATMs.

In 2015, AB SEB bankas further pursued its strategy to be the home bank for its customers. AB SEB bankas, aiming at long-term customer relationship, was offering modern universal banking services that are convenient and simple to use, providing them in a professional way with a focus on its customer needs and expectations.

In 2015, AB SEB bankas continued implementing SEB's corporate sustainability strategy, which sets eight corporate sustainability priorities within three main areas of responsibility (responsible business, people and community, environment): responsible selling and advising, tackling financial crime, responsible investments, sustainable finance, valuing our people, investing in communities, access to financial services, reducing our environmental footprint).

In 2015, AB SEB bankas Group launched new and improved its existing services and had special focus on being advisory to private individual and corporate customers. Implementing its chosen path to be the best financial advisor to private individuals and companies, in 2015 the bank provided as many as 60 thousand personal financial consultations and was more active in providing advice to businesses – over a year, the number of financial consultations provided to businesses reached 24 thousand. Further implementing its advisory programme for private individual customers aimed at providing quality advice on finance management and planning to customers in various situations in their lives, the bank has contributed to the creation of a documentary drama, which invites to think about the future. Docudrama "Tomorrow Came Yesterday" raised questions and tried to find solutions to various daily issues related to finance management. Developing further its role as a financial advisor, the bank invited senior grade schoolchildren from all over Lithuania to a discussion "Tomorrow Came Yesterday" and together with them discussed finance management and planning of the future.

In 2015, AB SEB bankas presented two new indicators – preparedness for retirement index and car affordability index. Also, the bank devoted more attention to young people with the aim to provide them with advice on finance management issues by organizing young people's opinion surveys and presenting their results, taking into consideration their expectations regarding savings, finance management, salary, etc.

AB SEB bankas maintained its strong focus on being advisory to businesses by providing advice to new businesses and to those that develop their activities further. In 2015, the bank offered a possibility for start-up companies to open a savings account with SEB Bank by electronic means. For small and medium-sized enterprises, SEB Bank arranged its second "Innovations Lab" event, organised seminars on labour market and staff motivation issues, presented data of its survey "Baltic Business Outlook 2015" and relevant business trends, also, invited corporate customers to the "Baltic Business Summit 2015" event. AB SEB bankas arranged its third survey of chief financial officers of the Baltic large enterprises, where CFOs provided their insights as to the possible changes in business environment at the nearest six-month horizon, turnover forecasts and pointed out the main challenges.

In 2015, the bank was further expanding its network of 24/7 customer self-service areas equipped with cash dispensing and cash-accepting ATMs all over Lithuania – in 2015, 5 new self-service areas were installed in total. Also, AB SEB bankas was increasing the number of its financial advice units – over the year 2015, 6 new financial advice units were opened particularly focusing on advice on such issues as borrowing, saving and investment as well as daily banking. At the end of 2015, 9 out of 42 customer service units of SEB Bank were financial advice units.

In 2015, AB SEB bankas Group was seeking to provide its customers with valuable information that can serve as a support for them in creating added value. AB SEB bankas arranged a presentation of the "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 individuals to start business in regions and create jobs. The bank issued publications for its customers, namely – the "Baltic Household Outlook", the "Household Financial Assets Barometer", periodic newsletter "Saving and Investment", and kept its customers informed about financial markets, macroeconomic situation, etc. At its website [www.seb.lt](http://www.seb.lt), AB SEB bankas launched a column "Infobankas" and developed it, periodically providing relevant information on finance management issues. In 2015, SEB Bank released newsletters to private individuals and separately – for young people and for corporate customers, in which it shared relevant information on finance management.

AB SEB bankas Group took part in the implementation of significant sustainability projects – for the thirteenth time together TV3 television it arranged and carried out the 2015 "Dreams Come True" Campaign, for the tenth year in a row awarded national top achievers – secondary school graduates, and continued its participation in the activities of Mentor Lietuva Association.

AB SEB bankas Group in 2015 won significant global and national awards: SEB Bankas was awarded with the title of the Best Bank in Lithuania (Euromoney, EMEA Finance), the Best Internet Bank in Lithuania (Global Finance), the Best Debt and Equity House (Global Finance, Global Investor), the Best Private Bank in the Baltics (The Banker) and won the award for the Best Private Banking Services for Super Affluent Clients and Global Clients (Euromoney). In 2015, AB SEB bankas was among top eight most attractive employers in Lithuania according to a survey carried out by Verslo Žinios and CV.lt, and one of the three most desirable employers in an opinion poll undertaken by CVmarket.lt. In 2015, AB SEB bankas was the national finalist in the European Business Awards winning the Award for Environmental and Business Sustainability.



**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

**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 2015 to the year 2014:

EUR million	2015	2014	Change
Income	152	179	-15%
Costs	(78)	(79)	-1%
<b>Result before losses</b>	<b>74</b>	<b>100</b>	<b>-26%</b>
Credit losses	(5)	(6)	-13%
<b>Operating result</b>	<b>69</b>	<b>94</b>	<b>-27%</b>
Profit tax	(10)	(22)	-540%
<b>Net profit</b>	<b>59</b>	<b>72</b>	<b>-19%</b>

Income increase during the year 2015 was related to: a) negative impact of euro implementation, b) low interest rates, c) decreased income of Bank's subsidiary UAB „SEB Venture Capital“.

The main financial ratios:

	2015	2014	Change
Net profit (EUR million)	59	72	-19%
Cost / Income ratio	0.51	0.44	+7 b.p.
New loans (EUR billion)	1,6	1,5	+9%
Loans & leasing, net value (EUR billion)	4.9	4,7	+4%
Deposits (EUR billion)	4.8	4,5	+7%

Lending portfolio increase was caused of increased demand both in private and in business segments.

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

The Group			Ratio	The Bank		
31-12-2013	31-12-2014	31-12-2015		31-12-2013	31-12-2014	31-12-2015
0.91 per cent	1.07 per cent	0.89 per cent	Return on Assets	0.92 per cent	0.96 per cent	0.94 per cent
8.50 per cent	9.41 per cent	7.55 per cent	Return on Equity	8.93 per cent	8.52 per cent	8.02 per cent
3.98	4.69	3.81	Earnings per share, EUR	3.98	4.23	4.02
48.80	51.60	52.09	Book value per share, EUR	48.77	51.12	51.82

**9. Major events since the end of financial year**

On **4 February 2016**, the Bank announced that according to preliminary data, unaudited net profit earned over the year 2015 by AB SEB bankas is EUR 62,1 million and by AB SEB bankas Group – EUR 58,8 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 2014, audited net profit earned by AB SEB bankas totalled EUR 65,3 million and by AB SEB bankas Group – EUR 72,4 million.

It was also announced that AB SEB bankas, acting in accordance with the requirement set forth in the part 1 of Article 24 of the Law on Securities of the Republic of Lithuania, will no longer prepare and release interim consolidated information.

On **8 February 2016**, the Bank announced that on 8 February, 2016 the Supervisory Council of AB SEB bankas has resolved to re-elect the Management Board of AB SEB bankas for new four-year tenure. Current members of the Management Board – Raimondas Kvedaras, Jonas Iržikevičius, Roberts Bernis, Aivaras Čičelis and Virginijus Doveika were re-elected as members of the Management Board for the new tenure. The Management Board was re-elected due to the expiry of the four year tenure of the Management Board determined in the Articles of Association of AB SEB bankas.

On 8 February, 2016 the Management Board of AB SEB bankas reappointed Raimondas Kvedaras as a Chairman of the Management Board of AB SEB bankas

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

**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, also, taking into account the objectives of the SEB Group, envisages the following key trends of activities:

- **Customer relationship strengthening.** To achieve this objective, the bank will further pursue its Home Bank strategy aimed for the bank to become the main bank, i.e. home bank, for its customers – a bank that offers sound solutions that answer the customers' financial needs. Our key focus is on holistic customer relationship by being advisory, valuing simplicity and showing respect. The bank implements this strategy by developing new and attractive services and attractive product offerings to its existing and potential customers based on the needs of relevant customer segments. The bank regularly measures satisfaction of its private individual and corporate customers – Net Promoter Score (NPS).
- **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 group 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, iii) optimising pricing of the Bank's services,
  - 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.
- **Risk management improvement.** Risk-taking is not a separate objective, rather it is aimed at creating added value to customers and an additional return to shareholders. SEB Bank Group applies a reliable risk management system with long-term independent risk control functions since the date of its creation that are supplemented with several advanced internal models and a detailed decision-taking structure, excellent risk awareness among the staff, uniform definitions and principles, risk-taking control without exceeding relevant set limits and high degree of transparency in disclosing external factors with key focus on:
  - Monitoring of the bank's Key Risk Indicators (KRIs),
  - Compliance with the 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 2015 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 2015 are as follows:

EUR million	2015
Intangible assets	0.7
Vehicles	0.7
Computers	0.6
Other tangible assets	0.7
Reconstruction of leased assets	0.4
<b>Total</b>	<b>3.1</b>

**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 2015 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.

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

**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 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 2015). 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](http://www.seb.lt) and at the central database of regulated information of the market operator (“NASDAQ 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 and covers all main risks: credit risk, liquidity risk, market risk, operational risk, etc. 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 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 2015 financial reporting. Over the reporting period there were no substantial changes in risk management.

During the year 2015, AB SEB bankas Group was compliant with all the requirements set by supervisory institutions:

31-12-2013	The Group		Ratio	The Bank		
	31-12-2014	31-12-2015		31-12-2013	31-12-2014	31-12-2015
38.85 percent	32.95 percent	Compliant***	Liquidity ratio (at least 30%)/Liquidity coverage ratio	38.81 percent	32.89 percent	compliant***
15.59 percent*	20.47 percent**	22.57 percent**	Capital adequacy ratio	15.51 percent*	20.35 percent**	22.43 percent**
0.05 percent	1.09 percent	0.81 percent	Maximum open single currency position	0.05 percent	1.09 percent.	0.81 percent
0.33 percent	1.11 percent	0.81 percent	Maximum aggregate open currency position	0.31 percent	1.12 percent	0.82 percent
18.24	21.87	18.62	Maximum loans per single borroweri <= 25 percent of the capital	19.07	21.95	18.69

\*- 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)

\*\*\* - No definite ratio of coverage by liquid assets has been announced, as so far the European Commission has not yet approved its technical standards regulating the calculation of said indicator.

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

Bank is influenced by the world events and the global economy. Our environment has never changed so rapidly. Everything that can become digital part of the world become part of it. And, of course, new business models and changed customer behaviour contributes to the changes. Lithuania's economy, being particularly open, highly depends on the prevailing risks in the world.

All through 2015 we have seen a continued hesitant development of the world economy. Record low interest rates and monetary support from central banks have not proven to be enough stimulus to capital spending, as in a more normal business cycle. An environment like this continues to call for caution and a sound scepticism to the prevailing risk-reward balance.

**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 (EUR)	Total nominal value	Share within authorized capital (in %)
Ordinary registered shares	LT0000101347	15,441,423	19.4	299,563,606.20	100.00
<b>In total</b>	-	<b>15,441,423</b>	-	<b>299,563,606.20</b>	<b>100.00</b>

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

**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 "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 the amount of the Bank's authorised (paid-in) capital may be 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.

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

---

**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 2015 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.

The Council is a collegiate supervisory body carrying out the function of supervision over the Bank's activities. The Council consisting of 8 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 2015)**

**DAVID BAMFORTH TEARE**

Skandinaviska Enskilda Banken AB (publ) 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

**KNUT JONAS MARTIN JOHANSSON**

Skandinaviska Enskilda Banken AB (publ) Head of Business Support 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.

**MARK BARRY PAYNE**

Head of SEB Pension in Demark. 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.

**STEFAN STIGNÄS**

Skandinaviska Enskilda Banken AB (publ) 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.

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

---

**TED TONY KYLBERG**

Skandinaviska Enskilda Banken AB (publ) 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.

**ERKKA NÄSÄKKÄLÄ**

Skandinaviska Enskilda Banken AB (publ) Head of the Group Risk Management. Education: university degree, specialisation – engineering. No shares of the Bank are held by the Member.

Member of the Supervisory Council elected by an extraordinary meeting of shareholders held on 3 September 2015. He took the office from 18 December 2015.

**SUSANNE ELIZABETH TAMM**

Skandinaviska Enskilda Banken AB (publ) Head of Mid Corporate&Public Sector. 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 held on 3 September 2015. She took the office from 18 December 2015.

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

**THE MANAGEMENT BOARD OF THE BANK (31 December 2015)**

**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.

**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 8 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.

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

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
<b>In total to all members of the Management Board (EUR '000) before taxes, of which:</b>	<b>1,087</b>	-	-
amounts based on a labour contract (EUR'000)	834	-	-
employer's social security contributions (EUR'000)	253	-	-
<b>Other disbursements, including the employer's social security contributions (EUR'000)**:</b>	<b>16</b>	-	-
<b>Per member of the Management Board on average (EUR'000) before taxes: *</b>	<b>218</b>	-	-
amounts based on a labour contract (EUR'000)	167	-	-
employer's social security contributions (EUR'000)	51	-	-
<b>During the year 2015 calculated amounts to the Company's Chief Executive Officer and Chief Financial Officer (EUR'000) before taxes:</b>	<b>353</b>		
amounts calculated to the Company's Chief Executive Officer during the the year 2015 based on labour contract (EUR'000)	216	-	-
amounts calculated to the Company's Chief Financial Officer during the year 2015 based on labour contract (EUR'000)	137	-	-

\* The Management Board consists of 5 members.

**AUDIT AND COMPLIANCE COMMITTEE** (31 December 2015)

The Audit and Compliance Committee ensures the effectiveness of the bank's internal control, coordinates and assesses the performance of the internal audit function, ensures independence of the internal audit function, considers and assesses the results of internal and external audit reviews, addresses other issues identified in the legal acts of supervisory institutions and in the regulations of the Committee. The Bank's Supervisory Council, abiding by laws and legal acts of the supervisory authority, forms the Audit and Compliance Committee, establishes its competence and how it shall function, approves its regulations and controls its activities.

**MARK BARRY PAYNE**

Chairman of the Committee. Head of Finance of SEB Pension in Dnmark. No shares of the Bank held.

**GÖRAN RASPE**

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

**BEN WILSON**

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

**ARNOLDS ČULKSTENS**

Head of „SEB Life and Pension Holding AB, Ryga branch“. No shares of the Bank held.

**JONAS GUDMUNDSSON**

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

**RISK COMMITTEE** (31 December 2015)

The Risk Committee advises the bank's bodies regarding the bank's overall existing and future risk tolerance and strategy, provides support in supervising the implementation of the strategy in the bank, checks whether the prices of liabilities and assets are offered to the bank's customers taking into account the bank's business model and the risk management strategy to a full extent, and carries out other functions assigned to it in the Committee regulations.

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

**DAVID BAMFORTH TEARE**

Chairman of the Committee. Skandinaviska Enskilda Banken AB (publ) Head of Baltic Division. No shares of the Bank held.

**MARK BARRY PAYNE**

Head of Finance of SEB Pension in Dnmark. No shares of the Bank held.

**STEFAN STIGNÄS**

Skandinaviska Enskilda Banken AB (publ) Head of Retail Banking, SEB Baltic Division. No shares of the Bank held.

**REMUNERATION COMMITTEE (31 December 2015)**

Information about it's members and functions is described in the article 28 of this report.

**24. Employees**

As of 31 December 2015, the AB SEB bankas Group in Lithuania (AB SEB bankas, UAB "SEB investicijų valdymas and UAB "SEB Venture Capital") had 1,648 employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave), i.e. by 8.2 per cent less compared to the end of 2014, when the Group had 1,795 employees. As of 31 December 2015, the number of actually working employees (excluding those on maternity/paternity leave) was 1,483, i.e. 8.6 per cent less than at the end of 2014, when the actual number of the Group's employees was 1,622. The decrease in number of employees is due to the fact that, in the exercise of operational efficiency measures, the bank has gradually reduced the number of employees.

During the year 2015 the number of employees of the Bank alone (working under labour contracts with and without a fixed term, including those on maternity/paternity leave) decreased by 8.2 per cent – from 1,785 to 1,638, and the number of the Bank's actually employed employees (excluding those on maternity/paternity leave) was 1,473, i.e. 8.6 per cent less than at the end of 2014, when their number was 1,612.

In the year 2015, the average actual number (excluding the number of employees on maternity/paternity leave) was 1,508 employees (in 2014, it was 1,533 employees).

	The Bank			The Group		
	31-12-2013	31-12-2014	31-12-2015	31-12-2013	31-12-2014	31-12-2015
Regular employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave)	1,731	1,785	1,638	1,741	1,795	1,648
Actually number of employees (excluding those on maternity/paternity leave)	1,512	1,612	1,473	1,522	1,622	1,483

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 EUR)		
	31-12-2013	31-12-2014	31-12-2015	31-12-2013	31-12-2014	31-12-2015
Senior management staff	200	197	185	3,321	3,278	3,399
Specialists	1,510	1,564	1,432	1,083	1,110	1,193
Service staff	21	24	21	641	645	662
<b>In total</b>	<b>1,731</b>	<b>1,785</b>	<b>1,638</b>	-	-	-

	Number of employees	University education		College education		Secondary education	
		number	per cent	number	per cent	number	per cent
Senior management staff	185	178	96.2	7	3.8	0	0.0
Specialists	1,432	1,025	71.6	214	14.9	193	13.5
Service staff	21	9	42.9	9	42.9	3	14.2
<b>In total</b>	<b>1,638</b>	<b>1,212</b>	<b>74.0</b>	<b>230</b>	<b>14.0</b>	<b>196</b>	<b>12.0</b>



**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

**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.

**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 14 of Resolution of the Board of the Bank of Lithuania 'Regarding minimum requirements for policies of remuneration to credit institution and of financial brokerage companies employees' No. 03-82, dated 8 May 2015',

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 12 February 2015. 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 YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

---

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

- Chairman of the committee – David Bamforth Teare;
- Member of the committee – Knut Jonas Martin Johansson;
- Member of the committee – Mark Barry Payne;
- Member of the committee – Ted Tony Kylberg.

Candidates to members of the remuneration committee are approved by the supervisory council of the Bank. Only members of Supervisory council might be elected as chairman or member 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;
- 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
- assessment regarding candidates to the Bank managers and key functions employees' and their suitability to perform these duties.

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, 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.

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

**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, pension saving contribution, 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 principles of the variable remuneration determination and payment.

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.

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.

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

- **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 (EUR '000)	Variable remuneration (EUR '000)	Number of employees
AB SEB bankas	28,088	572	1,638
UAB "SEB investicijų valdymas"	231	7	9
UAB "SEB Venture Capital"	39	0	1
<b>In total</b>	<b>28,358</b>	<b>579</b>	<b>1,648</b>

\* Variable salary planned for the year 2015 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 Bank	Base remuneration (EUR '000)	Variable remuneration (EUR '000)	Number of individuals thus remunerated
The management board	790	151	5
Risk-takers of the Group, excluding members of the management board	1,834	171	30
Employees	25,464	250	1,603
<b>In total</b>	<b>28,088</b>	<b>572</b>	<b>1,638</b>

The Group	Base remuneration (EUR '000)	Variable remuneration (EUR '000)	Number of individuals thus remunerated
The management board	887	156	7
The Group's risk-takers, excluding members of the management board	1,912	173	34
Employees	25,559	250	1,607
<b>In total</b>	<b>28,358</b>	<b>579</b>	<b>1,648</b>

\* Variable salary planned for the year 2015 based on an individual programme is provided

- 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 (EUR '000)	Pension contributions (EUR '000)	Shares of the Bank (EUR '000)	Equity-linked financial instruments (EUR '000)
The management board	0	0	0	151
The Group's risk-takers, excluding members of the management board	3	0	0	168
Employees	66	0	0	184
<b>In total</b>	<b>69</b>	<b>0</b>	<b>0</b>	<b>503</b>

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

The Group	Variable remuneration paid in cash (EUR '000)	Pension contributions (EUR '000)	Shares of the Bank (EUR '000)	Equity-linked financial instruments (EUR '000)
The management board	1	0	0	155
The Group's risk-takers, excluding members of the management board	3	0	0	170
Employees	66	0	0	184
<b>In total</b>	<b>70</b>	<b>0</b>	<b>0</b>	<b>509</b>

- amounts of the outstanding deferred remuneration for 2015 split into allocated and non-allocated portions:

The Bank	Deferred variable remuneration (EUR '000)	Allocated deferred variable remuneration (EUR '000)	Non-allocated deferred variable remuneration (EUR '000)
The management board	151	0	151
The Group's risk-takers, excluding members of the management board	168	0	168
Employees	184	0	184
<b>In total</b>	<b>503</b>	<b>0</b>	<b>503</b>

The Group	Deferred variable remuneration (EUR '000)	Allocated deferred variable remuneration (EUR '000)	Non-allocated deferred variable remuneration (EUR '000)
The management board	155	0	155
The Group's risk-takers, excluding members of the management board	170	0	170
Employees	184	0	184
<b>In total</b>	<b>509</b>	<b>0</b>	<b>509</b>

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

In 2015 the Bank and the Group paid variable remuneration granted in 2011 - 2014

The Bank	Deferred paid in cash variable remuneration in 2011 - 2014 (EUR '000)	Equity-linked financial instruments (EUR '000)*
The management board	1	1
The Group's risk-takers, excluding members of the management board	4	112
Employees	0	0
<b>In total</b>	<b>5</b>	<b>113</b>

The Group	Deferred paid in cash variable remuneration in 2011 - 2014 (EUR '000)	Equity-linked financial instruments (EUR '000)*
The management board	1	1
The Group's risk-takers, excluding members of the management board	4	113
Employees	0	0
<b>In total</b>	<b>5</b>	<b>114</b>

\* SEB share price (A class) has been calculated 01-02-2016

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

In 2015, there were no such amounts in the Bank and the Group.

**THE YEAR 2015 CONSOLIDATED ANNUAL REPORT**

(all amounts in EUR thousand, unless indicated otherwise)

- 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* (EUR '000)	Maximum amount allocated per single individual (EUR '000)*
<b>The Bank</b>	302	1,384	110
<b>The Group</b>	304	1,384	110

\* 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,  
18 March 2016

**INCOME STATEMENT**

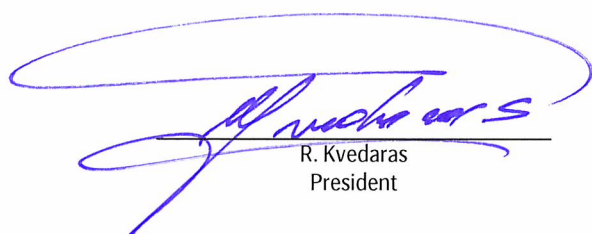
**FOR THE YEAR ENDED 31 DECEMBER 2015**

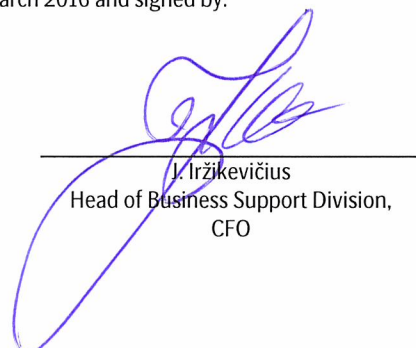
(All amounts in EUR thousand unless otherwise stated)

The Group			The Bank	
2015	2014		2015	2014
119,695	133,522	Interest income	119,666	133,549
(40,297)	(41,811)	Interest expenses	(40,297)	(41,817)
<b>79,398</b>	<b>91,711</b>	<b>Net interest income</b>	<b>79,369</b>	<b>91,732</b>
(6,142)	(3,404)	Impairment (losses)	(6,142)	(3,404)
1,558	444	Impairment reversals on lease portfolio (Provisions), reversals for guarantees and other off balance sheet items	1,558	444
(336)	(2,677)		(336)	(2,677)
(3)	3	Other impairment (losses) reversals	(3)	3
<b>(4,923)</b>	<b>(5,634)</b>	<b>Total impairment (losses)</b>	<b>(4,923)</b>	<b>(5,634)</b>
<b>74,475</b>	<b>86,077</b>	<b>Net interest income after impairment losses</b>	<b>74,446</b>	<b>86,098</b>
76,193	78,299	Fee and commission income	72,530	74,550
(24,850)	(20,851)	Fee and commission expenses	(23,899)	(19,855)
<b>51,343</b>	<b>57,448</b>	<b>Net fee and commission income</b>	<b>48,631</b>	<b>54,695</b>
2,393	2,205	Net gains on operations with debt securities and derivative financial instruments	2,393	2,210
1,985	7,423	Net gain (loss) on equity securities	1	(174)
-	-	Dividend income from subsidiaries	6,855	2,165
15,336	18,249	Net foreign exchange gain	15,247	18,257
1,263	1,514	Other income	1,453	1,737
<b>20,977</b>	<b>29,391</b>	<b>Net investment activities</b>	<b>25,949</b>	<b>24,195</b>
(40,854)	(38,559)	Staff costs	(40,475)	(38,117)
(37,098)	(40,281)	Other administrative expenses	(36,642)	(39,938)
<b>68,843</b>	<b>94,076</b>	<b>Operating profit</b>	<b>71,909</b>	<b>86,934</b>
<b>68,843</b>	<b>94,076</b>	<b>Profit before income tax</b>	<b>71,909</b>	<b>86,934</b>
(10,043)	(21,698)	Income tax expenses	(9,825)	(21,593)
<b>58,800</b>	<b>72,378</b>	<b>Net profit for the year</b>	<b>62,084</b>	<b>65,341</b>
58,800	72,378	<b>Attributable to:</b> Owners of the Bank	62,084	65,341
-	-	Non controlling interest	-	-

The accompanying notes on pages 23 to 104 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 18 March 2016 and signed by:

  
R. Kvedaras  
President

  
J. Iržikevičius  
Head of Business Support Division,  
CFO

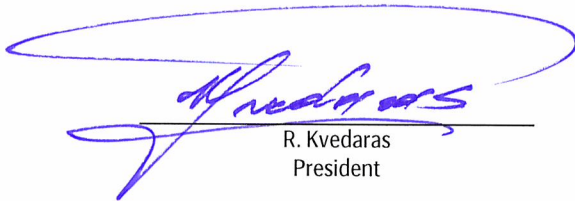
**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

The Group			The Bank	
2015	2014		2015	2014
58,800	72,378	<b>Net profit for the year</b>	<b>62,084</b>	<b>65,341</b>
		<i>Items that may subsequently be reclassified to the income statement:</i>		
16,028	598	Net gain on available for sale assets	33 16,026	598
58	58	Amortisation of financial assets revaluation reserve of reclassified financial assets	33 58	58
(2,412)	(98)	Income tax relating to the components of other comprehensive income	13 (2,412)	(98)
-	-	<i>Items that will not be reclassified to the income statement:</i>	-	-
<b>13,674</b>	<b>558</b>	<b>Total other comprehensive income</b>	<b>13,672</b>	<b>558</b>
<b>72,474</b>	<b>72,936</b>	<b>Total comprehensive income</b>	<b>75,756</b>	<b>65,899</b>
		<b>Attributable to:</b>		
72,474	72,936	Owners of the Bank	75,756	65,899
-	-	Non controlling interest	-	-
<b>72,474</b>	<b>72,936</b>		<b>75,756</b>	<b>65,899</b>

The accompanying notes on pages 23 to 104 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 18 March 2016 and signed by:



R. Kvedaras  
President



J. Irzikevičius  
Head of Business Support Division,  
CFO



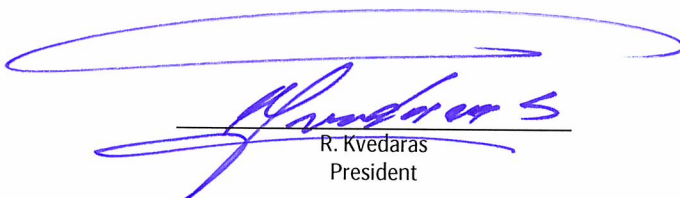
**AB SEB bankas**
**STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

The Group			The Bank	
2015	2014	Note	2015	2014
<b>Assets</b>				
133,256	99,203		133,256	99,203
947,896	1,065,922	15	947,896	1,065,922
253,185	241,193	16	253,185	241,193
17,263	17,789	17	17,173	17,604
356,486	367,136	18	352,696	346,358
109,623	117,592	19	109,623	117,592
12,236	11,063	20	12,236	11,063
4,480,493	4,293,166	6, 21	4,479,353	4,302,834
396,137	393,013	22	396,196	393,080
53,985	54,785	23	53,985	54,785
15,924	58	23	15,924	58
-	4,357	23	-	4,357
-	-	24	10,111	10,108
8,881	11,211	25	8,881	11,212
7,020	7,832	26	6,904	7,721
298	649	40	298	649
4,111	3,160	27	4,111	3,160
28,571	37,375	13	28,390	37,372
39,620	23,710	28	37,797	23,487
<b>6,864,985</b>	<b>6,749,214</b>		<b>6,868,015</b>	<b>6,747,758</b>
<b>Liabilities</b>				
17	17		17	17
1,092,934	1,271,662	29	1,092,934	1,271,662
109,031	119,680	19	109,031	119,680
4,766,556	4,468,133	30	4,774,419	4,475,148
9,811	13,928	32	9,638	13,102
10,467	10,702		10,452	10,524
16,643	20,965	31	16,643	20,965
55,156	47,291	32	54,657	47,253
<b>6,060,615</b>	<b>5,952,378</b>		<b>6,067,791</b>	<b>5,958,351</b>
<b>Equity</b>				
<b>Equity attributable to owners of the Bank</b>				
299,564	299,634	33	299,564	299,634
637	637		637	637
13,493	(181)		13,491	(181)
121,280	102,047		120,737	101,504
3,176	3,150		3,176	3,150
366,220	391,549		362,619	384,663
804,370	796,836		800,224	789,407
-	-		-	-
<b>804,370</b>	<b>796,836</b>		<b>800,224</b>	<b>789,407</b>
<b>6,864,985</b>	<b>6,749,214</b>		<b>6,868,015</b>	<b>6,747,758</b>

The accompanying notes on pages 23 to 104 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 18 March 2016 and signed by:

  
R. Kvedaras  
President

  
J. Iržiķevičius  
Head of Business Support Division,  
CFO

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**  
(All amounts in EUR thousand unless otherwise stated)

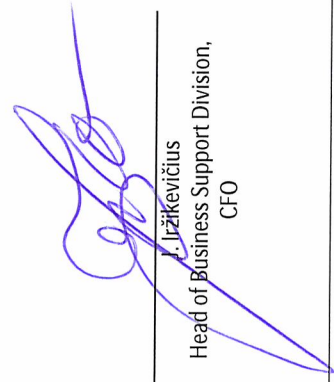
The Group	Equity attributable to owners of the Bank								Total Equity	
	Note	Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total before noncontrolling interest		Noncontrolling interest
<b>31 December 2013</b>		299,634	637	(739)	83,759	4,556	365,608	753,455	-	753,455
Net change in available for sale investments, net of deferred tax		-	-	500	-	-	-	500	-	500
Amortisation of financial assets revaluation reserve of reclassified financial assets		-	-	58	-	-	-	58	-	58
Net profit for the year		-	-	-	-	-	72,378	72,378	-	72,378
<b>Total comprehensive income</b>		-	-	558	-	-	72,378	72,936	-	72,936
Other movements		-	-	-	-	(1,851)	1,851	-	-	-
Share-based compensation		-	-	-	-	445	-	445	-	445
Transfers to reserves		-	-	-	18,288	-	(18,288)	-	-	-
Dividends to shareholders		-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
<b>31 December 2014</b>		299,634	637	(181)	102,047	3,150	391,549	796,836	-	796,836
Net change in available for sale investments, net of deferred tax	33	-	-	13,616	-	-	-	13,616	-	13,616
Amortisation of financial assets revaluation reserve of reclassified financial assets	33	-	-	58	-	-	-	58	-	58
Net profit for the year		-	-	-	-	-	58,800	58,800	-	58,800
<b>Total comprehensive income</b>		-	-	13,674	-	-	58,800	72,474	-	72,474
Adjustment of share capital due to conversion to euro		(70)	-	-	-	-	-	(70)	-	(70)
Other movements		-	-	-	-	(446)	446	-	-	-
Dividends		-	-	-	-	-	(65,341)	(65,341)	-	(65,341)
Share-based compensation		-	-	-	-	472	-	472	-	472
Transfers to reserves		-	-	-	19,233	-	(19,233)	-	-	-
<b>31 December 2015</b>		299,564	637	13,493	121,280	3,176	366,220	804,370	-	804,370

The accompanying notes on pages 23 to 104 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 18 March 2016 and signed by:



R. Kvedaras  
President



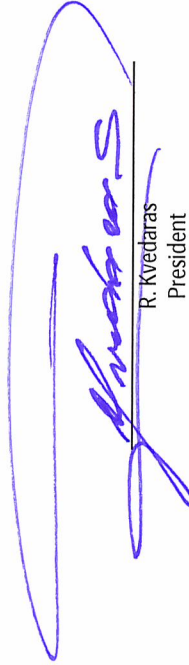
J. Ižžikevičius  
Head of Business Support Division,  
CFO

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**  
(All amounts in EUR thousand unless otherwise stated)

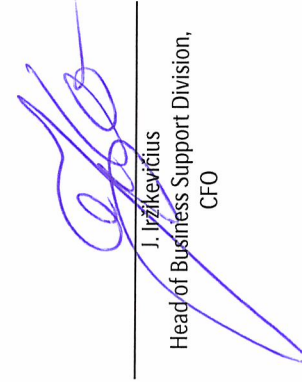
	Note	Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total Equity
<b>31 December 2013</b>		299,634	637	(739)	83,216	4,556	365,759	753,063
Change in fair value measurement of financial assets		-	-	-	-	-	-	-
Net change in available for sale investments, net of deferred tax		-	-	500	-	-	-	500
Amortisation of financial assets revaluation reserve of reclassified financial assets		-	-	58	-	-	-	58
Net profit for the year		-	-	558	-	-	65,341	65,341
<i>Total comprehensive income</i>		-	-	558	-	-	65,341	65,899
Other movements		-	-	-	-	(1,851)	1,851	-
Share-based compensation		-	-	-	-	445	-	445
Transfers to reserves		-	-	-	18,288	-	(18,288)	-
Dividends to shareholders		-	-	-	-	-	(30,000)	(30,000)
<b>31 December 2014</b>		299,634	637	(181)	101,504	3,150	384,663	789,407
Net change in available for sale investments, net of deferred tax	33	-	-	13,614	-	-	-	13,614
Amortisation of financial assets revaluation reserve of reclassified financial assets	33	-	-	58	-	-	-	58
Net profit for the year		-	-	13,672	-	-	62,084	62,084
<i>Total comprehensive income</i>		-	-	13,672	-	-	62,084	75,756
Adjustment of share capital due to conversion to euro		(70)	-	-	-	-	-	(70)
Other movements		-	-	-	-	(446)	446	-
Share-based compensation		-	-	-	-	472	-	472
Transfers to reserves		-	-	-	19,233	-	(19,233)	-
Dividends		-	-	-	-	-	(65,341)	(65,341)
<b>31 December 2015</b>		299,564	637	13,491	120,737	3,176	362,619	800,224

The accompanying notes on pages 23 to 104 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 18 March 2016 and signed by:



R. Kvedaras  
President



J. Ivžikevičius  
Head of Business Support Division,  
CFO



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

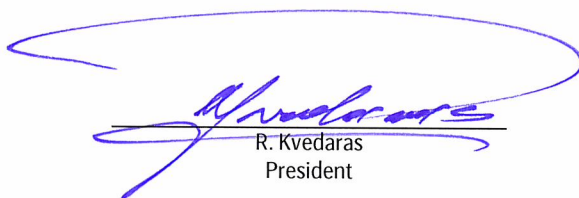
(All amounts in EUR thousand unless otherwise stated)

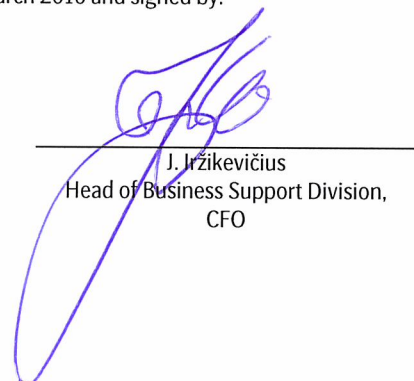
<b>The Group</b>			<b>The Bank</b>		
<b>2015</b>	<b>2014</b>		<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>Cash flow from investing activities</b>			
(2,575)	(3,900)	Acquisition of tangible and intangible fixed assets, net		(2,547)	(3,827)
827	742	Sale of Government securities available for sale		728	728
-	-	Dividends received from subsidiaries	8	6,855	2,165
(538,937)	(430,889)	Acquisition of investment in other securities		(538,519)	(430,410)
561,498	354,762	Sale of investment in other securities		544,042	354,613
<b>20,813</b>	<b>(79,284)</b>	<b>Cash generated from (to) investing activities</b>		<b>10,559</b>	<b>(76,731)</b>
		<b>Cash flow from (used in) financing activities</b>			
(65,341)	(30,000)	Dividends paid to the shareholder		(65,341)	(30,000)
-	8	Increase (decrease) in amounts owed to the Central Bank		-	8
(177,981)	(805,244)	(Decrease) increase in amounts owed to credit institutions		(177,981)	(805,244)
-	5,317	Proceeds from own issued debt securities		-	5,317
(4,357)	(18,814)	Repurchased own issued debt securities		(4,357)	(18,814)
(289)	(1,215)	Interest paid for own issued debt securities		(289)	(1,215)
<b>(247,968)</b>	<b>(849,948)</b>	<b>Cash used in financing activities</b>		<b>(247,968)</b>	<b>(849,948)</b>
<b>439,509</b>	<b>245,188</b>	<b>Net increase (decrease) in cash/cash equivalents</b>		<b>439,509</b>	<b>245,188</b>
<b>666,554</b>	<b>421,366</b>	<b>Cash/cash equivalents 1 January</b>		<b>666,554</b>	<b>421,366</b>
<b>1,106,063</b>	<b>666,554</b>	<b>Cash/cash equivalents 31 December</b>		<b>1,106,063</b>	<b>666,554</b>
		Specified as follows:			
878,143	330,711	Balance available for withdrawal with the Central Bank	15	878,143	330,711
-	194,377	Overnight deposits	16	-	194,377
133,256	99,203	Cash on hand		133,256	99,203
94,664	42,262	Current accounts with other banks	16	94,664	42,262
<b>1,106,063</b>	<b>666,554</b>			<b>1,106,063</b>	<b>666,554</b>

(Concluded)

The accompanying notes on pages 23 to 104 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 18 March 2016 and signed by:

  
 R. Kvedaras  
 President

  
 J. Iržikevičius  
 Head of Business Support Division,  
 CFO

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR 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 2015 the Bank had 42 customer service branches (as of 31 December 2014 – 46).

As of 31 December 2015 AB SEB bankas had 2 subsidiaries (as of 31 December 2014 – 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 18 March 2016. 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) The following new or revised standards and interpretations effective in 2015 that are applicable to the Bank and 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 Bank applied IFRIC 21 for Single Resolution Fund accounting. The changes did not have a material effect on the financial statements of the Group.

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 changes did not have a material effect on the financial statements of the Group.

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

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

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR 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 (continued)*

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The impact on the Group’s financial reports is being assessed by the Group and it is not practicable to provide a reasonable estimate of the effects of IFRS 9 until a detailed review is performed. However, our assessment is that the new requirements on expected credit loss, rather than incurred loss, may increase loan loss provisions, decrease equity and have a negative impact on capital adequacy at transition..

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.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (effective for annual periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the amendments on its financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (effective for annual periods beginning on or after 1 January 2016).

In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently evaluating the nature and impact of the change to its financial statements. No major impact is expected.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR 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 (continued)*

IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently evaluating the nature and impact of the change to the financial statements of the Group. No major impact is expected.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (effective for annual periods beginning on or after 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group did not take a decision yet whether to apply this standard.

Annual Improvements to IFRSs 2014 (effective for annual periods beginning on or after 1 January 2016).

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

Disclosure Initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016).

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

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Bank and the Group is currently evaluating the impact of the change to the financial statements.

**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, Euro (EUR). As of January 1<sup>st</sup> 2015 Lithuania joined euro zone. The exchange rate of conversion Litas to Euro was 3.4528. According to the law on Euro introduction in Lithuanian Republic the conversion itself did not have any impact to the Bank's Income statement except conversion of own shares that made EUR 70 thousand profit reported under *Net foreign exchange gain* line.

Amounts are presented in thousand EUR, unless otherwise stated.

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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

---

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

*a) Basis of Presentation (continued)*

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.

*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 EUR, 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

---

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

*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.

*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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

---

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

*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.

A regular way purchase or sale of financial assets is recognised using either trade date accounting or settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets. When settlement date accounting is used for an asset that is subsequently measured at cost or amortised cost, the asset is recognised initially at its fair value on the settlement date.

Within the SEB Group trade date accounting is used for the categories fair value through profit or loss and available for sale and settlement date accounting is used for all other categories.

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.

*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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

---

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

*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.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

---

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

*m) Impairment of Financial Assets (continued)*

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.

*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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

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

*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 EUR 1000 except of computers where Bank applies EUR 250 limit and intangible fixed assets with a value less than the equivalent of EUR 1,500 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:

<b>Asset category</b>	<b>Depreciation/ amortisation period (years)</b>
Software	3-8
Other intangible assets	3
Buildings	8-25
Vehicles	5
Computer hardware and cash counting equipment	3-10
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:

<b>Asset category</b>	<b>Depreciation period (years)</b>
Buildings	25-50

*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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

---

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

*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 the 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 the 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.

*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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

---

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

*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.

*cc) Single resolution fund*

At the end of the year 2015 the Bank started contributions to the Single Resolution Fund (the Fund) under the Bank Recovery and Resolution Directive (BRRD) adopted by European Parliament in 2014.

The Fund will be built up during the first eight years (2016-2023) and shall reach at least 1% of covered deposits (as defined in the Deposit Guarantee Scheme Directive 2014/49/EU) that is approx. €55bn in 2024.

The level of contributions of an individual bank will be based on two factors:

- 1) A flat contribution calculated pro-rata based on the amount of each institution's liabilities, excluding own funds and covered deposits compared to the total liabilities, excluding own funds and covered deposits of all covered institutions; and
- 2) A risk-adjusted contribution based on criteria set out in the BRRD

National deposit guarantee schemes must still be financed, since, in case of a bank failure, the deposit guarantee schemes will still be liable up to the amount they would have been if a bank was wound down under normal insolvency proceedings.

Contribution to the Single Resolution fund for the year 2015 as well as instalments to the Deposit Insurance Fund paid by the Bank are accounted under the line 'Net interest income' in the Income statement.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

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

*dd) 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 EUR 1,640 thousand (2014: EUR 1,444 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 EUR 1,717 thousand (2014: EUR 1,464 thousand) of which EUR 1,358 thousand (2014: 1,034 EUR thousand) coming from loans and receivables assessed individually and EUR 359 thousand (2014: EUR 430 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 with the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania is still ongoing.

The deferred tax assets recognised at 31 December 2015 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 2015 and 2014.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

---

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

*dd) Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)*

*Available for sale investment – Visa Europe shares*

On November 2, 2015, Visa Inc. announced its planned acquisition of Visa Europe (a membership-owned organisation) creating a single global Visa company. The transaction consists of a combination of upfront consideration with the potential for an additional earn-out following the fourth anniversary of closing. The Bank is a Principal member of Visa Europe. The transaction is subject to regulatory approvals and is expected to close during the second quarter of 2016.

AB SEB bankas would receive a portion of the proceeds from the anticipated acquisition, consisting of cash and preference shares in Visa Inc. The Bank currently estimates its income at EUR 15,9 million based on a preliminary calculation of the cash proceeds. The updated valuation of the holdings in Visa Europe at year-end 2015 had an effect of EUR 15.9 million, which was recognised in other comprehensive income (equity). On the realisation date, which will depend on approvals by several competition authorities, the increase in value of other comprehensive income (equity) will be recorded as a gain from investment securities in the consolidated income statement.

Portion of the proceeds from the anticipated acquisition, consisting of preference shares in Visa Inc. is not recognised in the Bank's consolidated financial statements 2015 due to the several uncertainties related to the transaction, the limits associated with the holding and the amount it could receive. There is still uncertainty how high the amount could eventually be depending on, among other factors, allocation calculations and the value of the preference shares.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**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:

	2015		2014	
	Book value	Fair value	Book value	Fair value
Balances with the Central Bank	947,896	944,361	1,065,922	1,065,680
Due from banks	253,185	252,904	241,193	240,993
Loans to credit institutions	12,236	12,236	11,063	11,109
Loans to customers	4,480,493	4,298,939	4,293,166	4,212,453
Investment securities - loans and receivables	53,985	54,121	54,785	55,842
Finance lease receivable	396,137	394,227	393,013	392,602
Investment securities – held to maturity	-	-	4,357	4,362
<b>Total financial assets valued at amortised cost</b>	<b>6,143,932</b>	<b>5,956,788</b>	<b>6,063,499</b>	<b>5,983,041</b>
Due to the Central Bank	17	17	17	17
Due to credit institutions	1,092,934	1,103,415	1,271,662	1,296,505
Current and demand deposits	3,878,454	3,868,575	3,455,687	3,455,067
Term deposits from the public	888,102	882,473	1,012,446	1,013,613
Debt securities in issue	14,515	14,613	18,837	19,157
<b>Total financial liabilities valued at amortised cost</b>	<b>5,874,022</b>	<b>5,869,093</b>	<b>5,758,649</b>	<b>5,784,359</b>

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:

	2015		2014	
	Book value	Fair value	Book value	Fair value
Balances with the Central Bank	947,896	944,361	1,065,922	1,065,680
Due from banks	253,185	252,904	241,193	240,993
Loans to credit institutions	12,236	12,236	11,063	11,109
Loans to customers	4,479,353	4,297,798	4,302,834	4,222,116
Investment securities - loans and receivables	53,985	54,121	54,785	55,842
Finance lease receivable	396,196	394,286	393,080	392,675
Investment securities – held to maturity	-	-	4,357	4,362
<b>Total financial assets valued at amortised cost</b>	<b>6,142,851</b>	<b>5,955,706</b>	<b>6,073,234</b>	<b>5,992,777</b>
Due to the Central Bank	17	17	17	17
Due to credit institutions	1,092,934	1,103,415	1,271,662	1,296,505
Current and demand deposits	3,886,316	3,872,630	3,458,964	3,458,339
Term deposits from the public	888,103	886,254	1,016,184	1,017,355
Debt securities in issue	14,515	14,613	18,837	19,157
<b>Total financial liabilities valued at amortised cost</b>	<b>5,881,885</b>	<b>5,876,929</b>	<b>5,765,664</b>	<b>5,791,373</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**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 current market interest rates.

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 repacking 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 2015 and 2014, 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 2015 and 2014 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 2015 EUR 53,985 thousand, at the end of 2014 – EUR 54,785 thousand) that are of level 1.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**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)
<b>31 December 2015</b>			
Government securities available for sale	17,263	-	-
Financial assets at fair value through profit and loss	352,696	434	3,356
Derivative financial instruments (assets)	10	109,613	-
Equity securities – available for sale	-	-	15,924
Derivative financial instruments (liabilities)	(48)	(108,983)	-
Debt securities in issue	-	(2,128)	-
<b>Total</b>	<b>369,921</b>	<b>(1,064)</b>	<b>19,280</b>

	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)
<b>31 December 2014</b>			
Government securities available for sale	17,789	-	-
Financial assets at fair value through profit and loss	346,358	17,845	2,933
Derivative financial instruments (assets)	75	117,517	-
Equity securities – available for sale	-	-	58
Derivative financial instruments (liabilities)	(39)	(119,641)	-
Debt securities in issue	-	(2,128)	-
<b>Total</b>	<b>364,183</b>	<b>13,593</b>	<b>2,991</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**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)
<b>31 December 2015</b>			
Government securities available for sale	17,173	-	-
Financial assets at fair value through profit and loss	352,696	-	-
Derivative financial instruments (assets)	10	109,613	-
Equity securities – available for sale		-	15,924
Derivative financial instruments (liabilities)	(48)	(108,983)	-
Debt securities in issue		(2,128)	-
<b>Total</b>	<b>369,831</b>	<b>(1,498)</b>	<b>15,924</b>

	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)
<b>31 December 2014</b>			
Government securities available for sale	17,604	-	-
Financial assets at fair value through profit and loss	346,358	-	-
Derivative financial instruments (assets)	75	117,517	-
Equity securities – available for sale	-	-	58
Derivative financial instruments (liabilities)	(39)	(119,641)	-
Debt securities in issue	-	(2,128)	-
<b>Total</b>	<b>363,998</b>	<b>(4,252)</b>	<b>58</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**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 2015:

	Balance as of 31 December 2014	Purchases	Sales	Gain (loss) in Income statement	Change in revaluation reserve in equity	Balance as of 31 December 2015
Financial assets at fair value through profit and loss	2,933	418	45	50	-	3,356
Investment securities – available for sale	58	-	-	-	15,866	15,924

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	12,850	479	149	(17,845)	7,597	2,933
Derivative financial instruments (assets)	4	-	-	-	(4)	-
Investment securities – available for sale	58	-	-	-	-	58
Derivative financial instruments (liabilities)	(4)	-	-	-	4	-

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 their 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. 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 were transferred to Level 2. The residual of investment's fair value as at 31 December 2015 and 2014 has been established based on EBIDTA multipliers.

Level 3 Investment securities – available for sale: in November 2015 Visa Inc. announced buying out VISA Europe Limited shares from it's member banks. AB SEB bankas holds one redeemable ordinary share of EUR 10 in Visa Europe Limited. The price offered for the shares have been calculated based on members' contribution to Visa Europe's business. More details are provided under this note section *Critical Accounting Estimates and Judgements in Applying Accounting Policies, Available for sale investments – Visa shares.*

On a quarterly basis the Group reviews the classification of level 3 instruments and assesses if there is additional information indicating changes in their value.

If the net present value of estimated cash flows differs by +/-5% while other factors are unchanged the change in fair value of the level 3 instruments for the Group would be estimated higher or lower by EUR 964 thousand (2014: EUR 150 thousand) .

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  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**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.

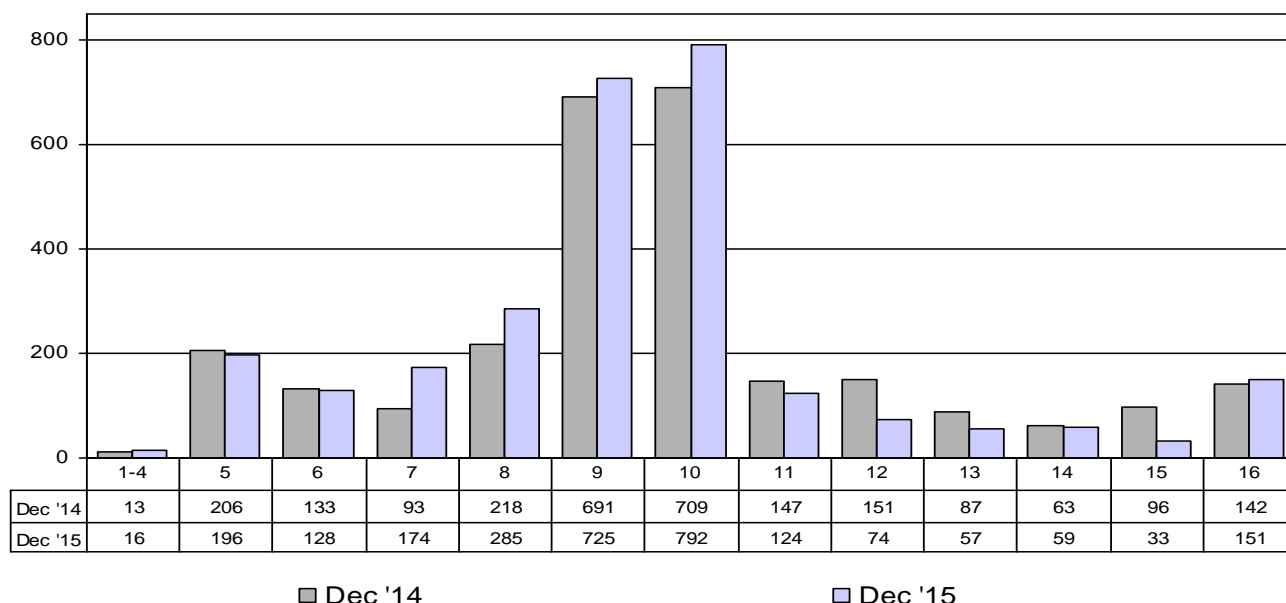
Credit Risk Classification

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 EUR million) by risk class is as follows:





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR 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 and small corporates EUR 2,191 million (2014: EUR 1,989 million), administration fee EUR 7 million (2014: EUR 4 million) and provisions for impairment losses EUR 125 million (2014: EUR 152million).

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 better 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.

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;
- Counterparty is in default, i.e. more than 90 days past due.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

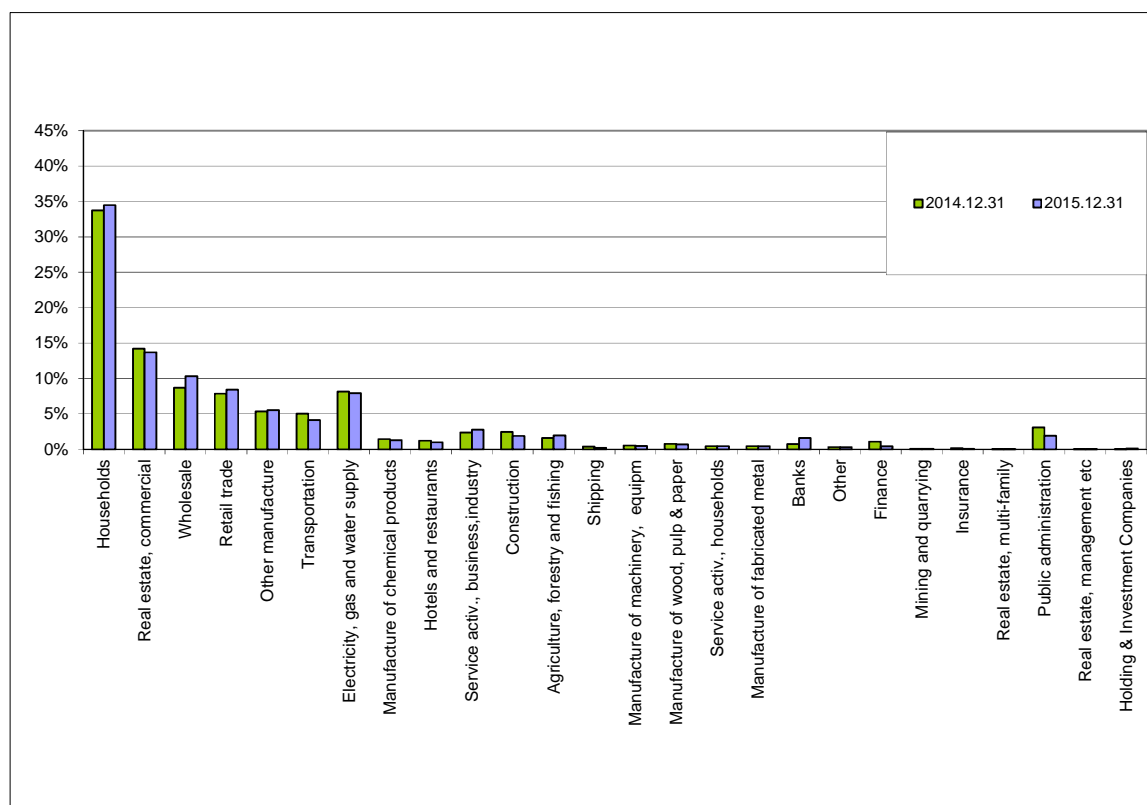
**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES  
(CONTINUED)**

**Financial Risk Management Policy (continued)**

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.

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 2015, credit exposures are in compliance with limits set by ALCO. The table below represents the development of credit exposures within particular industries.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR 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 2015 and 2014, 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	
2015	2014		2015	2014
947,896	1,065,922	Balances with the Central Bank	947,896	1,065,922
253,185	241,193	Due from banks	253,185	241,193
17,263	17,789	Government securities available for sale	17,173	17,604
352,696	346,358	Financial assets at fair value through profit and loss	352,696	346,358
109,623	117,592	Derivative financial instruments	109,623	117,592
12,236	11,063	Loans to credit institutions	12,236	11,063
		Loans to customers		
712,222	655,706	Property management	712,222	655,706
1,683,256	1,624,333	Other corporate	1,682,116	1,634,001
85,875	106,749	Public	85,875	106,749
1,817,779	1,717,287	Mortgage loans	1,817,779	1,717,287
181,361	189,091	Other private individuals	181,361	189,091
		Finance lease receivable		
367,143	372,433	Corporate	367,143	372,433
27,575	18,151	Private individuals	27,575	18,151
1,419	2,429	Other	1,478	2,496
		Investment securities:		
53,985	54,785	- loans and receivables	53,985	54,785
-	4,357	- held to maturity	-	4,357
29,850	14,642	Other financial assets	30,582	15,081
		Credit risk exposures relating to off-balance sheet items		
976,408	979,323	Agreements to grant loans	976,408	981,490
134,131	130,672	Guarantees issued	134,131	130,672
32,602	49,555	Letters of credit issued	32,602	49,555
11,275	12,305	Commitments to purchase assets	11,275	12,305
11	11	Customs guarantees collateralised by deposits	11	11
<b>7,807,791</b>	<b>7,731,747</b>	<b>Total as of 31 December</b>	<b>7,807,352</b>	<b>7,743,902</b>

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 and other financial assets – 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, etc. Value at Risk assessment results on the total portfolio positions are shown in Note 37.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

---

**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 EUR 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, 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 2015 and 2014 are presented in Note 36.

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 2015 and 2014 is presented in Note 37.

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 2015 and 2014 is presented in Note 37.

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 European Central Bank higher than established,

AB SEB bankas and the Group is following and managing liquidity risk from a number of perspectives of which the main perspectives can be characterized as structural liquidity risk (or funding risk according to European Banking Authority – EBA – terminology) and stressed survival horizon (or short-term liquidity risk according to EBA terminology).

Structural liquidity risk refers primarily to how long-term more illiquid assets (such as lending to the public) are funded by long-term stable funding (such as stable deposits).

The Core Gap Ratio is the Bank's internal structural liquidity risk metric. A ratio below 100% indicates that the bank is not funded with stable enough liabilities relative to illiquid assets.

Core GAP ratio was 111 percent as of 31st of December 2015 (115 percent as of 31 December 2014). At the end of year deposits continued to flood into the bank and raised Core Gap ratio by 4 percentage points.

The Core Gap Ratio will eventually be accompanied by the regulatory metric of structural liquidity risk – Net Stable Funding Ratio which comes into force in 2018.

Stressed survival horizon (SSH) is about how sensitive the bank's balance sheet structure is to more short-term funding disturbances, e.g. when wholesale funding is difficult to prolong due to a bank-specific or general market stress or when deposits leave the bank in an even more stressed scenario. Survival horizon is the number of days accumulated cash flows stays positive.

Second metric is Liquidity Coverage Ratio (LCR), which is also a regulatory requirement and measures to what extent liquid assets are sufficient to cover short term cash outflows in a stressed scenario.

LCR for the Bank should be not less than 100%. During the year 2015 the Bank was in compliance with this requirement.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**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 2015:

<b>Maturity</b>	<b>Up to 3 month</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Amounts owed to credit institutions	266,861	520,884	65,512	230,988	18,971	1,103,216
Deposits from public	4,307,621	178,799	252,992	23,418	4,071	4,766,901
Debt securities in issue	2,334	3,934	2,395	8,335	-	16,998
Other financial liabilities	31,080	3,632	1,925	1,551	3,876	42,064
<b>Total undiscounted non- derivative financial liabilities</b>	<b>4,607,896</b>	<b>707,249</b>	<b>322,824</b>	<b>264,292</b>	<b>26,918</b>	<b>5,929,179</b>
Commitments to grant loans	793,588	99,836	52,974	28,474	1,536	976,408
Guarantees	134,131	-	-	-	-	134,131
Letters of credit issued	25,412	5,157	1,623	410	-	32,602
Operating lease commitments	2,046	2,005	3,933	13,237	15,543	36,764
Commitments related to leasing	10,663	612	-	-	-	11,275

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

<b>Maturity</b>	<b>Up to 3 month</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Amounts owed to credit institutions	508,263	2,404	203,138	554,165	25,140	1,293,110
Deposits from public	3,938,897	203,011	289,955	31,809	4,994	4,468,666
Debt securities in issue	712	2,074	1,704	16,595	553	21,638
Other financial liabilities	26,885	2,342	2,300	351	2,972	34,850
<b>Total undiscounted non- derivative financial liabilities</b>	<b>4,474,757</b>	<b>209,831</b>	<b>497,097</b>	<b>602,920</b>	<b>33,659</b>	<b>5,818,264</b>
Commitments to grant loans	851,838	66,174	51,495	6,324	3,492	979,323
Guarantees	130,683	-	-	-	-	130,683
Letters of credit issued	14,316	3,178	9,606	22,455	-	49,555
Operating lease commitments	2,071	1,949	3,842	14,423	19,196	41,481
Commitments related to leasing	11,369	698	238	-	-	12,305

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**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 2015:

<b>Maturity</b>	<b>Upto 3 month</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Amounts owed to credit institutions	266,861	520,884	65,512	230,988	18,971	1,103,216
Deposits from public	4,315,484	178,799	252,992	23,418	4,071	4,774,764
Debt securities in issue	2,334	3,934	2,395	8,335	-	16,998
Other financial liabilities	31,082	3,632	1,925	1,551	3,876	42,066
<b>Total undiscounted non- derivative financial liabilities</b>	<b>4,615,761</b>	<b>707,249</b>	<b>322,824</b>	<b>264,292</b>	<b>26,918</b>	<b>5,937,044</b>
Commitments to grant loans	793,588	99,836	52,974	28,474	1,536	976,408
Guarantees	134,131	-	-	-	-	134,131
Letters of credit issued	25,412	5,157	1,623	410	-	32,602
Operating lease commitments	2,046	2,005	3,933	13,237	15,543	36,764
Commitments related to leasing	10,663	612	-	-	-	11,275

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

<b>Maturity</b>	<b>Upto 3 month</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Amounts owed to credit institutions	508,263	2,404	203,138	554,165	25,140	1,293,110
Deposits from public	3,945,913	203,011	289,955	31,809	4,994	4,475,682
Debt securities in issue	712	2,074	1,704	16,595	553	21,638
Other financial liabilities	26,883	2,342	2,298	344	2,972	34,839
<b>Total undiscounted non- derivative financial liabilities</b>	<b>4,481,771</b>	<b>209,831</b>	<b>497,095</b>	<b>602,913</b>	<b>33,659</b>	<b>5,825,269</b>
Commitments to grant loans	854,005	66,174	51,495	6,324	3,492	981,490
Guarantees	130,683	-	-	-	-	130,683
Letters of credit issued	14,316	3,178	9,606	22,455	-	49,555
Operating lease commitments	2,071	1,949	3,842	14,423	19,196	41,481
Commitments related to leasing	11,369	698	238	-	-	12,305

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**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 2015:

<b>Maturity</b>	<b>Upto 3 month</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-3 years</b>	<b>Over 3 years</b>	<b>Total</b>
<b>Outflows:</b>						
IRS	31,364	2,017	30,715	118,855	843,999	1,026,951
FX forwards	18,450	12,668	3,246	895	-	35,259
FX swaps	101,810	2,634	160	-	-	104,604
Equity options	100	534	366	278	-	1,278
Currency options	631	-	-	-	-	631
<b>Total outflows</b>	<b>152,356</b>	<b>17,854</b>	<b>34,488</b>	<b>120,027</b>	<b>843,999</b>	<b>1,168,723</b>
<b>Inflows:</b>						
IRS	29,171	1,918	31,122	118,894	845,141	1,026,247
FX forwards	18,376	12,706	3,213	886	-	35,181
FX swaps	101,370	2,702	155	-	-	104,226
Equity options	100	534	366	278	-	1,278
Currency options	631	-	-	-	-	631
<b>Total inflows</b>	<b>149,647</b>	<b>17,860</b>	<b>34,856</b>	<b>120,058</b>	<b>845,141</b>	<b>1,167,563</b>

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

<b>Maturity</b>	<b>Upto 3 month</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-3 years</b>	<b>Over 3 years</b>	<b>Total</b>
<b>Outflows:</b>						
IRS	575,583	1,877	29,454	117,578	847,991	1,572,483
FX forwards	8,453	510	200	-	-	9,163
FX swaps	941,573	-	66	-	-	941,639
Equity options	170	32	147	1,040	16	1,405
Currency options	171	-	-	-	-	171
<b>Total outflows</b>	<b>1,525,950</b>	<b>2,418</b>	<b>29,868</b>	<b>118,617</b>	<b>848,008</b>	<b>2,524,861</b>
<b>Inflows:</b>						
IRS	573,681	1,817	29,928	115,888	849,228	1,570,543
FX forwards	8,342	631	201	-	-	9,174
FX swaps	941,586	-	60	-	-	941,646
Equity options	170	32	147	1,040	16	1,405
Currency options	171	-	-	-	-	171
<b>Total inflows</b>	<b>1,523,951</b>	<b>2,480</b>	<b>30,336</b>	<b>116,928</b>	<b>849,245</b>	<b>2,522,940</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES  
(CONTINUED)****Financial Risk Management Policy (continued)**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 ensure Bank's stand alone and Financial Group's capital adequacy ratios at least 1 percent higher than individual capital adequacy ratio set for AB SEB bankas including other requirements applied for the Bank by relevant institutions.

The Bank's and the Financial Group's capital adequacy ratios at the end of 2015 and 2014 were as follows:

	<b>31 December 2014</b>	<b>31 December 2015</b>
The Bank	20.35%	22.43%
The Financial Group	20.47%	22.57%

For further information see Note 35.

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

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 (*Operational Risk Management Informatikon System*), NAMIS (*New Activity Management Information System*) & LDRPS (*Living Disaster Recovery Planning System*). 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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

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

**Financial Risk Management Policy (continued)**

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 Asset and Liability Committee (ALCO). 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 supporting systems are implemented to ensure sufficient system of internal controls, The following main elements of internal controls are implemented: data entered in the primary systems is reconciled with the data in the accounting ledgers; clear organisational structure and segregation of duties; daily bookkeeping and reporting, based on actual market data; , limits and limit follow-up; elements of internal controls in the business and business support units' processes; secondary control centralisation of the internal accounts helping to ensure a requirement of clear differentiation of function; other controls measures,

Limits shall be one way to manage risks where applicable and possible. A system for limiting and following up the amount of main risks (credit, market, liquidity and operational) 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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

---

**NOTE 4 SEGMENT INFORMATION (CONTINUED)**

**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.

They are not considered reportable segments. It was reported under the segment „Other“

**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. It is not considered a reportable segment. It was reported under the segment „Other“

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 4 SEGMENT INFORMATION (CONTINUED)**

Business segments of the Group for the year ended 31 December 2015 were as follows:

	<b>Baltic Division</b>	<b>Merchant Banking</b>	<b>Asset Management</b>	<b>Treasury</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total Group</b>
Interest income	114,393	45	-	40,022	-	(35,954)	<b>118,506</b>
- Internal	1,266	-	(2)	34,690	-	(35,954)	-
- External	113,127	45	2	5,332	-	-	<b>118,506</b>
Interest expense	(36,780)	(16)	-	(38,266)	-	35,954	<b>(39,108)</b>
- Internal	(34,674)	(16)	-	(1,264)	-	35,954	-
- External	(2,106)	-	-	(37,002)	-	-	<b>(39,108)</b>
Commission income	73,201	-	7,128	133	-	(3,512)	<b>76,950</b>
- Internal	3,379	-	-	133	-	(3,512)	-
- External	69,822	-	7,128	-	-	-	<b>76,950</b>
Commission expense	(23,228)	75	(4,401)	(85)	-	3,512	<b>(24,127)</b>
- Internal	(133)	-	(3,379)	-	-	3,512	-
- External	(23,095)	75	(1,022)	(85)	-	-	<b>(24,127)</b>
Net financial income/(expense)	17,934	1,987	(4)	(471)	-	-	<b>19,446</b>
Net other income/(expense)	(468)	-	(1)	87	(9)	-	<b>(391)</b>
<b>Net operating income/ (expenses)</b>	<b>145,052</b>	<b>2,091</b>	<b>2,722</b>	<b>1,420</b>	<b>(9)</b>	-	<b>151,276</b>
Total staff costs and other administrative expenses	(72,373)	(97)	(904)	(297)	2,170	-	<b>(71,501)</b>
Depreciation/amortisation	(4,650)	(7)	(16)	(1)	(1,491)	-	<b>(6,165)</b>
Capital gain/(losses)	152	-	-	-	2	-	<b>154</b>
Total impairment losses	(4,921)	-	-	-	-	-	<b>(4,921)</b>
<b>Profit (loss) before income tax</b>	<b>63,260</b>	<b>1,987</b>	<b>1,802</b>	<b>1,122</b>	<b>672</b>	-	<b>68,843</b>
Income tax (expenses)	(9,825)	-	(218)	-	-	-	<b>(10,043)</b>
<b>Net profit (loss) for the year</b>	<b>53,435</b>	<b>1,987</b>	<b>1,584</b>	<b>1,122</b>	<b>672</b>	-	<b>58,800</b>
<b>Total Assets</b>	5,623,379	6,890	6,547	1,603,639	693	(376,163)	<b>6,864,985</b>
<b>Total Liabilities</b>	4,840,534	4,903	4,674	1,586,646	21	(376,163)	<b>6,060,615</b>
Acquisition of intangible assets, investment property and equipment	5,732						5,732

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 4 SEGMENT INFORMATION (CONTINUED)**

For the year ended, 31 December 2015 reconciliation between Group's Segment reporting and financial statements is presented below:

	<u>Eliminations</u>		
	<b>Segment Reporting</b>	<b>Other reconciling entries</b>	<b>Financial Statements</b>
Interest income	118,506	1,189	119,695
Interest expense	(39,108)	(1,189)	(40,297)
Commission income	76,950	(757)	76,193
Commission expense	(24,127)	(723)	(24,850)
Net financial income	19,446		19,446
Net other income	(391)	1,922	1,531
<b>Net operating income</b>	<b>151,276</b>	<b>442</b>	<b>151,718</b>
Total staff costs and other administrative expenses	(71,501)	(441)	(71,942)
Depreciation/amortisation	(6,165)		(6,165)
Capital losses	154	1	155
Total impairment losses	(4,921)	(2)	(4,923)
<b>Profit before income tax</b>	<b>68,843</b>	<b>-</b>	<b>68,843</b>
Income tax (expenses)	(10,043)	-	(10,043)
<b>Net profit for the year</b>	<b>58,800</b>	<b>-</b>	<b>58,800</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 4 SEGMENT INFORMATION (CONTINUED)**

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

	<b>Baltic Division</b>	<b>Merchant Banking</b>	<b>Asset Management</b>	<b>Treasury</b>	<b>Operations</b>	<b>Staff Functions</b>	<b>Information Technologies</b>	<b>Eliminations</b>	<b>Total Group</b>
Interest income	125,880	125	12	60,019	-	-	-	(51,172)	<b>134,864</b>
- Internal	3,423	-	5	47,744	-	-	-	(51,172)	-
- External	122,457	125	7	12,275	-	-	-	-	<b>134,864</b>
Interest expense	(50,490)	(158)	-	(44,701)	-	-	-	51,172	<b>(44,177)</b>
- Internal	(47,586)	(158)	-	(3,428)	-	-	-	51,172	-
- External	(2,904)	-	-	(41,273)	-	-	-	-	<b>(44,177)</b>
Commission income	74,624	76	6,042	498	-	-	-	(2,804)	<b>78,436</b>
- Internal	2,306	-	-	498	-	-	-	(2,804)	-
- External	72,319	76	6,042	-	-	-	-	-	<b>78,437</b>
Commission expense	(21,794)	(620)	(2,686)	(84)	-	-	-	2,804	<b>(22,380)</b>
- Internal	(498)	-	(2,306)	-	-	-	-	2,804	-
- External	(21,296)	(620)	(380)	(84)	-	-	-	-	<b>(22,380)</b>
Net financial income/(expense)	21,260	7,591	(8)	1,417	-	-	-	-	<b>30,260</b>
Net other income/(expense)	(408)	-	-	92	-	(2)	-	-	<b>(318)</b>
<b>Net operating income/ (expenses)</b>	<b>149,073</b>	<b>7,014</b>	<b>3,360</b>	<b>17,241</b>	-	<b>(2)</b>	-	-	<b>176,685</b>
Total staff costs and other administrative expenses	(71,618)	(158)	(897)	(241)	70	678	714	-	<b>(71,452)</b>
Depreciation/amortisation	(4,896)	(8)	(4)	(1)	(51)	(376)	(563)	-	<b>(5,899)</b>
Capital (losses)	502	-	-	-	-	(123)	(1)	-	<b>378</b>
Total impairment reversals	(5,637)	-	-	-	-	-	-	-	<b>(5,637)</b>
<b>Profit before income tax</b>	<b>67,424</b>	<b>6,848</b>	<b>2,459</b>	<b>16,999</b>	<b>19</b>	<b>177</b>	<b>150</b>	-	<b>94,076</b>
Income tax expenses	(21,593)	(1)	(104)	-	-	-	-	-	<b>(21,698)</b>
<b>Net profit for the year</b>	<b>45,831</b>	<b>6,847</b>	<b>2,355</b>	<b>16,999</b>	<b>19</b>	<b>177</b>	<b>150</b>	-	<b>72,378</b>
<b>Total Assets</b>	5,350,963	21,963	7,639	1,671,091	18	178	429	(303,067)	<b>6,749,214</b>
<b>Total Liabilities</b>	4,580,780	15,116	4,997	1,654,273	-	-	279	(303,067)	<b>5,952,378</b>
<i>Acquisition of intangible assets, investment property and equipment</i>	1,660	-	-	-	-	-	-	-	1,660

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR 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	134,864	-	(1,342)	133,522
Interest expense	(44,177)	2,366	1	(41,811)
Commission income	78,436	-	(138)	78,299
Commission expense	(22,381)	-	1,529	(20,851)
Net financial income	30,261	(2,366)	(50)	27,844
Net other income	(318)	-	1,864	1,546
<b>Net operating income</b>	<b>176,685</b>	<b>-</b>	<b>1,864</b>	<b>178,549</b>
Total staff costs and other administrative expenses	(71,452)	-	(1,867)	(73,319)
Depreciation/amortisation	(5,898)	-	-	(5,898)
Capital losses	378	-	-	378
Total impairment credits	(5,637)	-	3	(5,634)
<b>Loss before income tax</b>	<b>94,076</b>	<b>-</b>	<b>-</b>	<b>94,076</b>
Income tax (expenses)	(21,698)	-	-	(21,698)
<b>Net profit for the year</b>	<b>72,378</b>	<b>-</b>	<b>-</b>	<b>72,378</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 5 NET INTEREST INCOME**

The Group			The Bank	
2015	2014		2015	2014
119,695	133,522	Interest income:	119,666	133,549
29	63	on balances with Central Banks	29	63
496	5,858	on loans and advances to credit institutions	496	6,015
103,646	110,357	on loans and advances to customers	103,619	110,233
2,833	2,783	on government securities - loans and receivables	2,833	2,783
9,292	10,390	on finance leasing portfolio	9,292	10,391
639	647	on debt securities available for sale	637	640
2,760	3,424	on debt securities, designated at fair value	2,760	3,424
(40,297)	(41,811)	Interest expenses:	(40,297)	(41,817)
(19,227)	(22,052)	on amounts owed to credit institutions	(19,227)	(22,058)
(2,013)	(2,409)	on deposits from the public	(2,013)	(2,409)
(344)	(531)	on debt securities	(344)	(531)
(13,329)	(16,819)	deposits insurance expenses	(13,329)	(16,819)
(5,384)	-	Single resolution fund	(5,384)	-
<b>79,398</b>	<b>91,711</b>	<b>Total net interest income</b>	<b>79,369</b>	<b>91,732</b>

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

The Group			The Bank	
2015	2014		2015	2014
-	(1)	Impairment losses on loans to credit-institutions charge for the year, net	-	(1)
8,268	4,112	Impairment losses of impairment losses on loans to customers, net	8,268	4,112
(2,126)	(707)	Recovered written off loans	(2,126)	(707)
<b>6,142</b>	<b>3,404</b>	<b>Impairment losses on loans, net</b>	<b>6,142</b>	<b>3,404</b>

Changes in impairment losses during the year 2015 and 2014 were as follows:

The Group			The Bank	
2015	2014		2015	2014
132,010	205,326	Impairment losses on loans as of 1 January (note 21)	132,010	205,326
8,268	4,112	Impairment charged (credited) to income statement by customer category, net:	8,268	4,112
13,818	(300)	<i>Other corporate</i>	13,818	(300)
1,962	(182)	<i>Property management</i>	1,962	(182)
(6,134)	356	<i>Mortgage</i>	(6,134)	356
(1,378)	4,238	<i>Other private individuals</i>	(1,378)	4,238
(31,891)	(77,707)	Loans written off:	(31,891)	(77,707)
(5,324)	(18,743)	<i>Other corporate</i>	(5,324)	(18,743)
(15,328)	(25,295)	<i>Property management</i>	(15,328)	(25,295)
(11,239)	(33,669)	<i>Private individuals</i>	(11,239)	(33,669)
1,549	279	Effect of change in exchange rate	1,549	279
<b>109,936</b>	<b>132,010</b>	<b>Impairment losses on loans as of 31 December</b>	<b>109,936</b>	<b>132,010</b>

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

As of 31 December 2015 the Bank had EUR 106,514 thousand of individually impaired loans, gross of impairment losses (2014: EUR 196,913 thousand). As of 31 December 2015 accrued interest on these loans amounted to EUR 136 thousand (2014: EUR 112 thousand). Deferred loan origination fee amounted to EUR 40 thousand for individually impaired loans to customers (2014: EUR 65 thousand).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR 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 2015 amounted to EUR 2,644 thousand (2014: EUR 2,913 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	
2015	2014		2015	2014
14,768	20,280	Impairment losses on finance lease portfolio	14,768	20,280
1,267	275	Impairment losses on other assets	1,267	275
<b>16,035</b>	<b>20,555</b>	<b>Impairment losses on finance lease portfolio and other assets as of 31 December</b>	<b>16,035</b>	<b>20,555</b>

Changes in impairment losses for finance lease portfolio and other assets related to lease portfolio for the year ended 31 December 2015 and 2014 were as follows:

The Group			The Bank	
2015	2014		2015	2014
(1,558)	(444)	Impairment reversal on finance lease portfolio credited to income statement	(1,558)	(444)
<b>(1,558)</b>	<b>(444)</b>	<b>Impairment reversal on finance lease portfolio and other assets related to lease portfolio, net</b>	<b>(1,558)</b>	<b>(444)</b>

The Group			The Bank	
2015	2014		2015	2014
20,280	24,308	Impairment losses on finance lease portfolio as of 1 January (note 22)	20,280	24,308
(1,558)	(444)	Impairment reversal credited to income statement, net:	(1,558)	(444)
(1,776)	(435)	<i>Corporate</i>	(1,776)	(435)
218	(1)	<i>Private individuals</i>	218	(1)
-	(8)	<i>Other</i>	-	(8)
(2,689)	(3,735)	Finance leasing receivable written off	(2,689)	(3,735)
(2,689)	(3,735)	<i>Corporate</i>	(2,689)	(3,735)
-	-	<i>Private individuals</i>	-	-
(1,265)	151	Effect of change in exchange rate	(1,265)	151
<b>14,768</b>	<b>20,280</b>	<b>Impairment losses on finance lease portfolio as of 31 December</b>	<b>14,768</b>	<b>20,280</b>

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 7 NET FEE AND COMMISSION INCOME**

<b>The Group</b>			<b>The Bank</b>	
<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>
18,231	22,835	For money transfer operations	18,232	22,836
31,842	30,091	For payment cards services	31,842	30,091
4,824	3,625	For operations with securities	4,824	3,625
21,296	21,748	Other income on services and commissions	17,632	17,998
<b>76,193</b>	<b>78,299</b>	<b>Income on services and commissions</b>	<b>72,530</b>	<b>74,550</b>
(184)	(586)	For money transfer operations	(184)	(586)
(17,177)	(15,026)	For payment cards services	(18,187)	(15,026)
(1,249)	(699)	For operations with securities	(1,249)	(699)
(6,240)	(4,540)	Other expenses on services and commissions	(4,279)	(3,544)
<b>(24,850)</b>	<b>(20,851)</b>	<b>Expenses on services and commissions</b>	<b>(23,899)</b>	<b>(19,855)</b>

**NOTE 8 DIVIDEND INCOME FROM SUBSIDIARIES**

The table below presents dividends received by the Bank from its subsidiaries:

	<b>2015</b>	<b>2014</b>
UAB "SEB investicijų valdymas"	4,500	2,165
UAB "SEB Venture Capital"	2,355	-
<b>Total dividend income</b>	<b>6,855</b>	<b>2,165</b>

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

<b>The Group</b>			<b>The Bank</b>	
<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>
1,110	1,036	Realised result from operations with debt securities in trading portfolio	1,110	1,036
3	(153)	Unrealised result from operations with debt securities in trading portfolio	3	(153)
(500)	(61)	Result of available for sale portfolio designated for fair value hedge	(500)	(61)
(1,736)	(1,454)	Gain/Loss of Government securities - loans and receivables, designated for fair value hedge	(1,736)	(1,454)
(631)	1,333	Result of Government securities at fair value through profit (loss)	(631)	1,338
-	(2,350)	Realised result of interest rate swap designated as hedging instrument	-	(2,350)
2,323	1,589	Unrealised result of interest rate swap designated as hedging instrument	2,323	1,589
1,920	1,313	Result of other derivatives	1,920	1,313
(96)	952	Result from other trading securities	(96)	952
<b>2,393</b>	<b>2,205</b>	<b>Net gains on financial assets and derivative instruments accounted for at fair value</b>	<b>2,393</b>	<b>2,210</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 10 NET FOREIGN EXCHANGE GAIN**

The Group			The Bank	
2015	2014		2015	2014
12,487	16,518	Gain from foreign exchange trading	12,484	16,524
2,849	1,731	Unrealised translation gain	2,763	1,733
<b>15,336</b>	<b>18,249</b>	<b>Net gain on foreign exchange</b>	<b>15,247</b>	<b>18,257</b>

**NOTE 11 STAFF COSTS**

The Group			The Bank	
2015	2014		2015	2014
30,377	28,750	Salaries and wages	30,087	28,416
		Social security expenses (defined contribution plan cost)		
10,477	9,809		10,388	9,701
<b>40,854</b>	<b>38,559</b>	<b>Total staff costs</b>	<b>40,475</b>	<b>38,117</b>

The following numbers of full-time personnel were employed by the Group's companies as of 31 December 2015 and 2014:

	2014	2014
AB SEB bankas	1,638	1,785
UAB "SEB investicijų valdy mas"	9	9
UAB "SEB Venture Capital"	1	1
<b>Total employees</b>	<b>1,648</b>	<b>1,795</b>

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

**NOTE 12 OTHER ADMINISTRATIVE EXPENSES**

The Group			The Bank	
2015	2014		2015	2014
9,523	10,485	Rent and maintenance of premises	9,479	10,429
3,041	2,796	Depreciation property and equipment	3,017	2,784
99	97	Depreciation of investment property	99	97
2,045	3,205	Audit and consulting expenses	1,999	3,172
7,849	11,041	Office equipment and software maintenance	7,849	11,010
1,865	1,766	Communication expenses	1,813	1,710
1,474	(890)	Payments for servicing organizations	1,448	(892)
1,131	1,302	Transport expenses	1,119	1,277
1,750	2,070	Advertising and promotion expenses	1,719	2,046
3,025	3,005	Amortisation of intangible assets	3,025	3,005
1,572	1,342	Other than income taxes	1,572	1,338
456	401	Employees training expenses	452	395
517	556	Insurance of banking operations	517	556
192	162	Charity and sponsorship	192	162
2,559	2,943	Other expenses	2,342	2,849
<b>37,098</b>	<b>40,281</b>	<b>Total other administrative expenses</b>	<b>36,642</b>	<b>39,938</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 12 OTHER ADMINISTRATIVE EXPENSES (CONTINUED)**

Office equipment and software maintenance expenses decrease is mainly because euro implementation project completion in the beginning of the year 2015.

**NOTE 13 INCOME TAX EXPENSE**

The Group			The Bank	
2015	2014		2015	2014
3,855	2,952	Current year tax charge	3,448	2,854
(203)	7,669	Previous years related tax charge	(193)	7,669
6,391	11,077	Change in deferred tax asset and liability balance	6,570	11,070
<b>10,043</b>	<b>21,698</b>	<b>Total income tax charge</b>	<b>9,825</b>	<b>21,593</b>

During the year 2015 the Bank's advance profit tax payment was EUR 665 thousand. It was offset with the unused advance VAT payment. 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	
2015	2014		2015	2014
68,843	94,076	Profit before tax	71,909	86,934
10,326	14,111	Tax calculated at a tax rate of 15%	10,786	13,040
(874)	(3,009)	Income not subject for tax	(1,500)	(2,028)
793	746	Expenses not deductible for tax purposes	696	731
1	2,181	Derecognition of previously recognized deferred tax	36	2,181
(203)	7,669	Correction of previous period income tax	(193)	7,669
<b>10,043</b>	<b>21,698</b>	<b>Total income tax charge</b>	<b>9,825</b>	<b>21,593</b>

Starting from the year 2010 income tax rate in Lithuania is 15 percent. Significant higher effective tax rate in 2014 as compared to 2015 is due to EUR 7,669 thousand correction of previous period income tax.

## Deferred tax

The Group			The Bank	
2015	2014		2015	2014
37,375	48,550	Assets at 1 January	37,372	48,540
(6,391)	(11,077)	Income statement charge	(6,570)	(11,070)
(2,414)	(98)	Other comprehensive income	(2,412)	(98)
<b>28,571</b>	<b>37,375</b>	<b>Asset at 31 December</b>	<b>28,390</b>	<b>37,372</b>

As of 31 December 2015 and 2014 deferred income tax was calculated using 15 percent income tax rate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 13 INCOME TAX EXPENSE (CONTINUED)**

<b>The Group</b>			<b>The Bank</b>	
<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>
<b>Deferred tax assets</b>				
		Revaluation of available for sales securities through equity		
-	32		-	32
1,128	1,057	Amortisation and depreciation	1,131	1,057
2,310	2,650	Accrued expense	2,110	2,647
1,559	2,085	Impairment losses	1,559	2,085
29,421	35,308	Tax loss carried forward	29,421	35,308
<b>34,418</b>	<b>41,132</b>	<b>Deferred tax assets, net</b>	<b>34,221</b>	<b>41,129</b>
<b>Deferred tax liability</b>				
		Revaluation of available for sales securities through equity		
2,381	-		2,381	-
		Revaluation of available for sale and loans and receivables securities designated for fair value hedge		
225	560		225	560
2,397	2,281	Other accruals	2,381	2,281
110	251	Revaluation of trade securities	110	251
734	664	Revaluation of derivatives	734	664
<b>5,847</b>	<b>3,757</b>	<b>Deferred tax liability, net</b>	<b>5,831</b>	<b>3,757</b>

As of 31 December 2015 the deferred tax asset related to tax losses recognised by the Bank is EUR 29,421 thousand (EUR 35,308 thousand as of 31 December 2014) of which none (EUR 87 thousand as of 31 December 2014) is related to taxable losses from transactions with securities and derivatives. Tax losses can 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.

In the Management opinion the Bank will utilize EUR 7,815 thousand of deferred tax asset within 12 month period from the date of these financial statements, respectively EUR 20,575 thousand after more then 12 months from the date of these financial statements. The amounts at the end 2014 were EUR 8,469 thousand and EUR 28,903 thousand respectively.

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

<b>The Group</b>			<b>The Bank</b>	
<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>
<b>Unused tax losses</b>				
196,139	235,391	Tax loss carried forward, unlimited use	196,139	235,391
<b>196,139</b>	<b>235,391</b>	<b>Total unused tax losses</b>	<b>196,139</b>	<b>235,391</b>

As of 31 December 2015 and 2014 income tax effect relating to components of other comprehensive income was as follows:

<b>The Group</b>			<b>The Bank</b>	
<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>
		Fair value gains on available for sale investment securities before tax amount		
16,028	598		16,026	598
(2,412)	(98)	Tax expenses	(2,412)	(98)
<b>13,614</b>	<b>500</b>	<b>Fair value gains on available for sale investment securities, net of tax amount</b>	<b>13,614</b>	<b>500</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 14 EARNINGS PER SHARE**

	The Group	
	2015	2014
Net profit from continuing operations attributable to the shareholders	58,800	72,378
Weighted average number of shares (000s)	15,441	15,441
<b>Basic and diluted earnings per share (LTL)</b>	<b>3.81</b>	<b>4.69</b>

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		
2015	2014		2015	2014	
49,690	138,093	Obligatory reserves	49,690	138,093	
20,063	597,118	Target deposits	20,063	597,118	
878,143	330,711	Balance available for withdrawal	878,143	330,711	
<b>947,896</b>	<b>1,065,922</b>	<b>Total balances with the Central Bank</b>	<b>947,896</b>	<b>1,065,922</b>	

Eurosystem's minimum reserve requirements comprise 1 percent (3 percent in 2014 in Bank of Lithuania) of balance of overnight deposits, deposits with agreed maturity or period of notice up to 2 years, debt securities issued with maturity up to 2 years, calculated using data from the last day of previous month. ECB's remuneration rate is 0.05 percent while deposit facility rate is -0.3 percent.

As at 31 December of 2015 the line 'Target deposits' represents Bank's balance of funds amounting to EUR 20,063 thousand (EUR 12,085 thousand as at 31 December 2014) 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). At the end of the year 2014 this line also represents funds amounting to EUR 585,033 thousand 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		
2015	2014		2015	2014	
94,664	42,262	Current accounts	94,664	42,262	
-	194,377	Overnight deposits	-	194,377	
158,521	4,554	Term deposits	158,521	4,554	
<b>253,185</b>	<b>241,193</b>	<b>Total</b>	<b>253,185</b>	<b>241,193</b>	

Amounts due from Banks at 31 December 2015 have been due from counterparties with the rating not less than BBB- based on rating agency Standard & Poor's ratings except for EUR 0.2 million that are due from the counterparties which are not rated and EUR 0.4 mln. from counterparty's that are under non - investment grade.

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 (or equivalent) ratings except for EUR 17 million that are due from the counterparties which are not rated and EUR 0.2 mln. from counterparty's that are under non - investment grade.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 17 GOVERNMENT SECURITIES AVAILABLE FOR SALE**

<u>The Group</u>			<u>The Bank</u>	
17,347	<b>As of 1 January 2014</b>		17,154	
88	Additions		-	
(831)	Disposals		(727)	
647	Interest income		640	
(60)	Result of available for sale portfolio designated for fair value hedge		(61)	
598	Change in revaluation reserve in equity		598	
17,789	<b>As of 1 January 2015</b>		17,604	
-	Additions		-	
(827)	Disposals		(727)	
639	Interest income		637	
(501)	Result of available for sale portfolio designated for fair value hedge		(500)	
162	Change in revaluation reserve in equity		160	
<b>17,263</b>	<b>As of 31 December 2015</b>		<b>17,173</b>	

Vast majority of government securities are debt securities issued by the Government of the Republic of Lithuania that matures in 2018.

**NOTE 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

<u>The Group</u>			<u>The Bank</u>	
2015	2014		2015	2014
43,106	61,991	Financial assets held for trading - securities of Government of Republic of Lithuania	43,106	61,991
313,380	305,145	Financial assets designated at fair value (at initial recognition)	309,590	284,367
<b>356,486</b>	<b>367,136</b>	<b>Total financial assets designated at fair value</b>	<b>352,696</b>	<b>346,358</b>

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 EUR 3,790 thousand as at 31 December 2015 (EUR 20,778 thousand as at 31 December 2014) and the Bank's investment in Lithuanian Government securities amounting to EUR 309,590 as at 31 December 2015 (EUR 284,367 thousand as at 31 December 2014). 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>	
253,366	<b>As of 1 January 2014</b>		240,515	
169,943	Additions		169,464	
(130,024)	Disposals		(129,875)	
11,860	Revaluation		4,263	
<b>305,145</b>	<b>As of 1 January 2015</b>		<b>284,367</b>	
179,101	Additions		178,684	
(171,993)	Disposals		(154,538)	
1,127	Revaluation		1,077	
<b>313,380</b>	<b>As of 31 December 2015</b>		<b>309,590</b>	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

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

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 2015 and 2014, based on Standard & Poor's ratings or their equivalent:

	<b>Securities of Government of Republic of Lithuania</b>	
	<b>2015</b>	<b>2014</b>
A-	352,696	346,358
<b>Total</b>	<b>352,696</b>	<b>346,358</b>

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 2015 receivable for interest rate and currency interest rate swaps amounting to EUR 26,187 thousand are due from the counterparties with internal risk classes that fall under the range from 7 till 11. Receivable for currency interest rate swaps amounting to EUR 81,552 thousand are due from the Parent company with internal risk class 3.

As at 31 December 2014 receivable for interest rate and currency interest rate swaps amounting to EUR 32,250 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 EUR 83,255 thousand are due from the Parent company with internal risk class 2.

Bank's and Group's derivative financial instruments:

<b>31 December 2015</b>	<b>Notional amount</b>		<b>Fair value</b>	
	<b>Purchase</b>	<b>Sale</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Foreign exchange derivatives</b>				
Currency forwards	35,181	35,260	374	458
Currency swaps	104,226	104,604	195	609
Put options	1,712	1,712	1	1
Call options	1,712	1,712	16	16
<b>Interest rate derivatives</b>				
Futures	1,100	200	2	10
Interest rate swaps	886,876	886,875	26,187	27,202
Interest rate swaps for hedging purposes	67,000	67,000		4,030
Currency interest rate swaps	745,071	745,071	81,552	75,425
Interest rate options	6,743	6,743		
<b>Equity derivatives</b>				
Index linked debt securities option	10,791	10,792	1,296	1,280
Derivative part of index linked deposit				
<b>Other derivatives</b>				
Commodity options				
<b>Total derivatives assets/liabilities</b>	<b>1,860,412</b>	<b>1,859,969</b>	<b>109,623</b>	<b>109,031</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

31 December 2014	Notional amount		Fair value	
	Purchase	Sale	Assets	Liabilities
<b>Foreign exchange derivatives</b>				
Currency forwards	12,375	12,364	294	242
Currency swaps	941,646	941,639	358	371
Put options	302	302	3	3
Call options	302	302	1	1
<b>Interest rate derivatives</b>				
Futures	1,700	500	3	30
Interest rate swaps	759,385	759,385	32,250	33,883
Interest rate swaps for hedging purposes	67,000	67,000	-	6,262
Currency interest rate swaps	1,230,942	1,230,942	83,256	77,483
Interest rate options	6,504	6,504	-	-
<b>Equity derivatives</b>				
Index linked debt securities option	12,410	12,410	1,412	1,405
Derivative part of index linked deposit			15	-
<b>Other derivatives</b>				
Commodity options	5,627	5,627	-	-
<b>Total derivatives assets/liabilities</b>	<b>3,038,193</b>	<b>3,036,975</b>	<b>117,592</b>	<b>119,680</b>

**NOTE 20 LOANS TO CREDIT INSTITUTIONS**

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

The Group			The Bank	
2015	2014		2015	2014
9,184	-	Russian Federation	9,184	-
2,986	424	Lithuania	2,986	424
38	-	Croatia	38	-
24	5,721	Germany	24	5,721
2	1	Ireland	2	1
1	2	United States	1	2
1	1,938	United Kingdom	1	1,938
-	698	France	-	698
-	1,083	Austria	-	1,083
-	290	China	-	290
-	25	Viet Nam	-	25
-	17	United Arab Emirates	-	17
-	14	Netherlands	-	14
-	850	Belarus	-	850
<b>12,236</b>	<b>11,063</b>	<b>Total loans to credit institutions</b>	<b>12,236</b>	<b>11,063</b>

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

As of 31 December 2015 EUR 2 thousand were past due more than 60 days. As of 31 December 2014 EUR 2 thousands were past due more than 8-30 days and EUR 1 thousands more than 60 days.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 20 LOANS TO CREDIT INSTITUTIONS (CONTINUED)**

The table below presents an analysis of loans to credit institutions by rating agency designation at 31 December 2015 and 31 December 2014, based on Standard & Poor's ratings or their equivalent:

	2015	2014
BB-	7,543	-
A+	2,987	-
B	1,640	-
Not available	39	26
A	27	-
A-	-	7,391
AA-	-	1,360
AA+	-	424
BBB+	-	17
BB+	-	2
B-	-	850
A	-	993
	<b>12,236</b>	<b>11,063</b>

**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 2015 and 2014 the Bank's loans to customers against collateral type were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
<b>31 December 2015</b>						
Loans secured by mortgage, real property	2	501,038	577,573	1,697,934	114,787	2,891,334
Loans secured by deposits and securities	36	44,638	43,636	1,168	1,208	90,686
Loans secured by guarantees of government and banks	-	642	156,975	-	-	157,617
Accounts receivable and debtors	254	1,763	84,470	221	218	86,926
Inventories and equipment	636	147	258,171	2	2	258,958
Other collateral	6	185,351	375,399	145,534	4,110	710,400
Unsecured loans	84,941	1,662	227,079	6,427	73,259	393,368
<b>Total loans to customers</b>	<b>85,875</b>	<b>735,241</b>	<b>1,723,303</b>	<b>1,851,286</b>	<b>193,584</b>	<b>4,589,289</b>
<b>31 December 2014</b>						
Loans secured by mortgage, real property	19	452,481	513,419	1,591,242	131,198	2,688,359
Loans secured by deposits and securities	70	38,209	91,906	1,447	2,268	133,900
Loans secured by guarantees of government and banks	-	814	126,608	-	-	127,422
Accounts receivable and debtors	718	33,547	85,172	245	260	119,942
Inventories and equipment	69	224	269,091	2	3	269,389
Other collateral	58	165,953	327,520	165,758	6,254	665,543
Unsecured loans	105,815	308	251,984	5,658	66,524	430,289
<b>Total loans to customers</b>	<b>106,749</b>	<b>691,536</b>	<b>1,665,700</b>	<b>1,764,352</b>	<b>206,507</b>	<b>4,434,844</b>

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 2015 loans with floating interest rate made 76.07 percent of the Bank's total loan portfolio (2014: 77.13 percent). As of 31 December 2015 included in the above amounts of loans secured by deposits and securities is reversed repo transactions equal to EUR 296 thousand (of which EUR 1 thousand is accrued interest) with securities in amount of EUR 624 thousand (2014: EUR 399 thousand and EUR 821 thousand respectively), which includes: equity (EUR 309 thousand), funds (EUR 258 thousand) and equity linked debt securities (EUR 57 thousand).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 21 LOANS TO CUSTOMERS (CONTINUED)**

As of 31 December 2015 and 2014 the Bank's loans to customers by customer category were as follows:

	<b>2015</b>	<b>2014</b>
Neither past due nor impaired:		
Property management	663,075	602,960
Other corporate	1,582,323	1,551,407
Public	85,505	106,720
Mortgage loans	1,740,857	1,631,921
Other private individuals	168,123	171,905
<b>Total neither past due nor impaired</b>	<b>4,239,883</b>	<b>4,064,913</b>
Past due but not impaired:		
Property management	19,011	19,515
Other corporate	79,037	78,343
Public	370	29
Mortgage loans	108,957	129,769
Other private individuals	23,185	30,543
<b>Total past due but not impaired</b>	<b>230,560</b>	<b>258,199</b>
Impaired individually assessed loans:		
Property management	53,155	69,061
Other corporate	61,943	35,950
Mortgage loans	1,472	2,662
Other private individuals	2,276	4,059
<b>Total impaired individually assessed loans</b>	<b>118,846</b>	<b>111,732</b>
Total loans by customer category:		
Property management	735,241	691,536
Other corporate	1,723,303	1,665,700
Public	85,875	106,749
Mortgage loans	1,851,286	1,764,352
Other private individuals	193,584	206,507
<b>Total loans by customer category</b>	<b>4,589,289</b>	<b>4,434,844</b>
Less impairment losses on loans:		
Property management	(23,019)	(35,830)
Other corporate	(41,187)	(31,699)
Mortgage loans	(33,507)	(47,065)
Other private individuals	(12,223)	(17,416)
<b>Total impairment losses on loans</b>	<b>(109,936)</b>	<b>(132,010)</b>
<b>Loans to customers, net</b>	<b>4,479,353</b>	<b>4,302,834</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 21 LOANS TO CUSTOMERS (CONTINUED)**

The table below presents analysis of impaired individually assessed loans as of 31 December 2015 and 2014:

	2015	2014
Impaired individually assessed loans:		
Property management	53,155	69,061
Other corporate	61,943	35,950
Mortgage loans	1,472	2,662
Other private individuals	2,276	4,059
<b>Total impaired individually assessed loans</b>	<b>118,846</b>	<b>111,732</b>
Less impairment losses on individually assessed loans:		
Property management	(20,800)	(23,821)
Other corporate	(34,251)	(18,055)
Mortgage loans	(742)	(1,955)
Other private individuals	(1,505)	(2,968)
<b>Total impairment losses on individually assessed loans</b>	<b>(57,298)</b>	<b>(46,799)</b>

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
<b>31 December 2015</b>						
3 – 7 risk classes	64,320	2,618	410,689	-	-	477,627
8 risk class	5,521	68,198	195,164	-	-	268,883
9 risk class	442	262,970	355,711	-	-	619,123
10 risk class	44	216,204	433,154	-	-	649,402
11 risk class	-	16,738	83,188	612	-	100,538
12 risk class	15,178	39,172	26,415	1	-	80,766
13 – 16 risk class	-	54,830	18,770	-	-	73,600
Homogeneous credits groups	-	2,345	59,232	1,740,244	168,123	1,969,944
<b>Total neither past due nor impaired</b>	<b>85,505</b>	<b>663,075</b>	<b>1,582,323</b>	<b>1,740,857</b>	<b>168,123</b>	<b>4,239,883</b>
<b>31 December 2014</b>						
3 – 7 risk classes	50,374	2,912	373,041	-	-	426,326
8 risk class	27,790	18,882	159,638	-	-	206,311
9 risk class	7,602	202,241	381,551	-	-	591,395
10 risk class	147	171,271	382,268	3	-	553,688
11 risk class	-	50,302	61,394	736	-	112,432
12 risk class	20,807	72,879	60,715	3	-	154,404
13 – 16 risk class	-	82,429	73,871	-	-	156,300
Homogeneous credits groups	-	2,044	58,929	1,631,179	171,905	1,864,057
<b>Total neither past due nor impaired</b>	<b>106,720</b>	<b>602,960</b>	<b>1,551,407</b>	<b>1,631,921</b>	<b>171,905</b>	<b>4,064,913</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 21 LOANS TO CUSTOMERS (CONTINUED)**

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

	<b>2015</b>	<b>2014</b>
A	1,565,916	1,461,588
B	176,565	151,151
C	56,141	56,178
D	129,666	144,589
E	40,675	49,493
Not rated	981	1,058
	<b>1,969,944</b>	<b>1,864,057</b>

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 2015 amounted to EUR 1,141 thousand (2014: EUR 1,186 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 2015 and 2014 loans to customers past due but not impaired and fair value of collateral were as follows:

	<b>Public</b>	<b>Property management</b>	<b>Other corporate</b>	<b>Mortgage loans</b>	<b>Other private individuals</b>	<b>Total</b>
<b>31 December 2015</b>						
Loans past due but not impaired:						
past due up to 7 days	370	5,106	24,469	18,809	2,462	51,216
past due 8-30 days	-	1,083	37,976	25,244	2,642	66,945
past due 31 - 60 days	-	9,433	6,281	12,974	1,429	30,117
past due over 60 days	-	3,389	10,311	51,930	16,652	82,282
<b>Total past due but not impaired</b>	<b>370</b>	<b>19,011</b>	<b>79,037</b>	<b>108,957</b>	<b>23,185</b>	<b>230,560</b>
Fair value of collateral pledged	-	18,156	41,579	99,412	13,766	172,913
<b>31 December 2014</b>						
Loans past due but not impaired:						
past due up to 7 days	29	5,133	24,074	20,450	2,435	52,121
past due 8-30 days	-	1,590	27,886	28,103	3,585	61,163
past due 31-60 days	-	2,392	5,030	18,980	2,267	28,669
past due over 60 days	-	10,401	21,353	62,236	22,255	116,246
<b>Total past due but not impaired</b>	<b>29</b>	<b>19,516</b>	<b>78,343</b>	<b>129,769</b>	<b>30,542</b>	<b>258,199</b>
Fair value of collateral pledged	-	18,672	39,307	116,585	18,513	193,076

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 2015 were past due up to 7 days and instalments were paid during January 2016, amount to EUR 43,202 thousand (2014: EUR 45,669 thousand), of which: public sector – EUR 370 thousand (none in 2014), property management – the whole amount for years 2015 and 2014, other corporate – EUR 19,493 thousand (2014: EUR 22,340 thousand), mortgage loans – EUR 16,212 thousand (2014: EUR 16,454 thousand), other private individuals – EUR 2,021 thousand (2014: EUR 1,741 thousand).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 21 LOANS TO CUSTOMERS (CONTINUED)**

As of 31 December 2015 and 2014 impaired loans to customers and fair value of collateral were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
<b>31 December 2015</b>						
Impaired individually assessed loans	-	53,155	61,943	1,472	2,276	118,846
Fair value of collateral pledged	-	32,355	27,886	730	771	61,742
<b>31 December 2014</b>						
Impaired individually assessed loans	-	69,061	35,950	2,662	4,059	111,732
Fair value of collateral pledged	-	45,240	17,899	707	1,075	64,921

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**

<b>The Group</b>			<b>The Bank</b>	
2015	2014		2015	2014
<b>Gross finance lease receivable</b>				
168,254	158,482	-Falling due within one year	168,266	158,491
229,871	238,842	-Falling due from one to five years	229,918	238,900
26,304	31,860	-Falling due after five years	26,304	31,860
<b>424,429</b>	<b>429,184</b>	<b>Total gross finance lease receivable</b>	<b>424,488</b>	<b>429,251</b>
<b>Unearned finance income</b>				
(6,164)	(6,876)	-Falling due within one year	(6,164) -	6,876
(6,890)	(8,088)	-Falling due from one to five years	(6,890) -	8,088
(470)	(927)	-Falling due after five years	(470) -	927
<b>(13,524)</b>	<b>(15,891)</b>	<b>Total unearned finance income</b>	<b>(13,524)</b>	<b>(15,891)</b>
(14,768)	(20,280)	Less impairment losses on finance lease receivable	(14,768)	(20,280)
<b>396,137</b>	<b>393,013</b>	<b>Total finance lease receivable, net</b>	<b>396,196</b>	<b>393,080</b>

As of 31 December 2015 finance lease contracts with floating interest rate reached 85.88 percent of leasing portfolio (2014: 86.73 percent).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 22 FINANCE LEASE RECEIVABLE (CONTINUED)**

As of 31 December 2015 and 2014 finance lease receivable by customer category were as follows:

<b>The Group</b>			<b>The Bank</b>	
<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>
		Neither past due nor impaired:		
333,207	341,683	Corporate	333,207	341,683
26,955	17,251	Private individuals	26,955	17,251
1,404	2,287	Other	1,463	2,354
<b>361,566</b>	<b>361,221</b>	<b>Total neither past due nor impaired</b>	<b>361,625</b>	<b>361,288</b>
		Past due but not impaired:		
30,470	26,914	Corporate	30,470	26,914
1,149	1,211	Private individuals	1,149	1,211
15	142	Other	15	142
<b>31,634</b>	<b>28,267</b>	<b>Total past due but not impaired</b>	<b>31,634</b>	<b>28,267</b>
		Impaired finance lease receivable:		
16,981	23,081	Corporate	16,981	23,081
724	724	Private individuals	724	724
<b>17,705</b>	<b>23,805</b>	<b>Total impaired finance lease receivable</b>	<b>17,705</b>	<b>23,805</b>
		Total finance lease receivable by customer category:		
380,658	391,678	Corporate	380,658	391,678
28,828	19,186	Private individuals	28,828	19,186
1,419	2,429	Other	1,478	2,496
<b>410,905</b>	<b>413,293</b>	<b>Total finance lease receivable by customer category</b>	<b>410,964</b>	<b>413,360</b>
		Less impairment losses on finance lease receivable:		
(13,515)	(19,245)	Corporate	(13,515)	(19,245)
(1,253)	(1,035)	Private individuals	(1,253)	(1,035)
-	-	Other	-	-
<b>(14,768)</b>	<b>(20,280)</b>	<b>Total impairment losses on finance lease receivable by</b>	<b>(14,768)</b>	<b>(20,280)</b>
<b>396,137</b>	<b>393,013</b>	<b>Finance lease receivable, net</b>	<b>396,196</b>	<b>393,080</b>

The table below presents analysis of impaired individually assessed lease receivable as of 31 December 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Impaired individually assessed lease receivable:		
Corporate	16,981	23,081
Private individuals	724	724
<b>Total impaired individually assessed lease receivable</b>	<b>17,705</b>	<b>23,805</b>
Less impairment losses on individually assessed lease receivable:		
Corporate	(10,294)	(13,004)
Private individuals	(724)	(724)
<b>Total impairment losses on individually assessed lease receivable</b>	<b>(11,018)</b>	<b>(13,728)</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**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
<b>31 December 2015</b>				
4 – 7 risk classes	12,311	-	835	13,146
8 risk class	15,195	-	53	15,248
9 risk class	101,089	-	259	101,348
10 risk class	118,130	-	103	118,233
11 risk class	19,343	-	119	19,462
12 risk class	4,199	-	-	4,199
13-16 risk class	18,415	-	-	18,415
Homogeneous credits groups	44,525	26,955	94	71,574
<b>Total neither past due nor impaired</b>	<b>333,207</b>	<b>26,955</b>	<b>1,463</b>	<b>361,625</b>
<b>31 December 2014</b>				
4 – 7 risk classes	8,561	-	1,578	10,140
8 risk class	10,847	-	92	10,939
9 risk class	79,061	-	401	79,462
10 risk class	127,577	-	-	127,576
11 risk class	27,943	-	23	27,966
12 risk class	14,372	-	9	14,381
13-16 risk class	34,918	-	-	34,918
Homogeneous credits groups	38,404	17,251	251	55,906
<b>Total neither past due nor impaired</b>	<b>341,683</b>	<b>17,251</b>	<b>2,354</b>	<b>361,288</b>

As of 31 December 2015 and 2014 finance lease receivable past due but not impaired and fair value of collateral were as follows:

	Corporate	Private	Other	Total
<b>31 December 2015</b>				
Loans past due but not impaired:				
past due up to 30 days	24,217	619	14	24,850
past due 31 - 60 days	4,668	451	-	5,119
past due over 60 days	1,585	79	1	1,665
<b>Total past due but not impaired</b>	<b>30,470</b>	<b>1,149</b>	<b>15</b>	<b>31,634</b>
Fair value of collateral pledged	25,092	1,139	14	26,245
<b>31 December 2014</b>				
Loans past due but not impaired:				
past due up to 30 days	16,976	561	131	17,668
past due 31 - 60 days	3,940	376	-	4,316
past due over 60 days	5,998	274	11	6,283
<b>Total past due but not impaired</b>	<b>26,914</b>	<b>1,211</b>	<b>142</b>	<b>28,267</b>
Fair value of collateral pledged	23,504	1,068	142	24,714

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 22 FINANCE LEASE RECEIVABLE (CONTINUED)**

Impaired finance leases receivable amounts and fair value of collateral as of 31 December 2015 and 2014:

	Corporate	Private	Total
<b>31 December 2015</b>			
Impaired loans	16,981	724	17,705
Fair value of collateral pledged	8,134	-	8,134
<b>31 December 2014</b>			
Impaired loans	23,081	724	23,805
Fair value of collateral pledged	8,630	-	8,630

**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 2015 amounted to EUR 53,985 thousand (2014: EUR 54,785 thousand), fair value is disclosed in table in *Accounting policies* part *Fair values*.

As of 31 December 2015 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 EUR 34 thousand (2014: EUR 37 thousand), and result from revaluation of securities in income statement would have been lower by EUR 1,972 thousand (2014: EUR 1,982 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	
2015	2014		2015	2014
		Securities available for sale:		
58	58	AB Panevezio Energija	58	58
15,866	-	VISA Europe Limited	15,866	-
<b>15,924</b>	<b>58</b>	<b>Total investment securities available for sale</b>	<b>15,924</b>	<b>58</b>

The above securities are not rated.

The changes in investment securities for the year 2015 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
58	3,852	55,354	<b>January 1, 2014</b>	58	3,852	55,354
-	505	-	Foreign exchange differences on monetary assets	-	505	-
-	-	(1,898)	Disposal	-	-	(1,898)
-	-	2,783	Interest income	-	-	2,783
-	-	(1,454)	Recognised result in income statement	-	-	(1,454)
<b>58</b>	<b>4,357</b>	<b>54,785</b>	<b>January 1, 2015</b>	<b>58</b>	<b>4,357</b>	<b>54,785</b>
-	-	-	Foreign exchange differences on monetary assets	-	-	-
-	(4,357)	(1,955)	Disposal/Matured	-	(4,357)	(1,955)
-	-	2,891	Interest income	-	-	2,891
-	-	(1,736)	Recognised result in income statement	-	-	(1,736)
15,866	-	-	Change in revaluation reserve in equity	15,866	-	-
<b>15,924</b>	<b>-</b>	<b>53,985</b>	<b>December 31, 2015</b>	<b>15,924</b>	<b>-</b>	<b>53,985</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 23 INVESTMENT SECURITIES (CONTINUED)**

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 EUR 1,736 thousand (2014: EUR 1,454 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.

Available for sale investment consists mainly of VISA Europe – that is not rated – shares. More information about VISA shares is provided in the Note 3, section dd) Critical Accounting Estimates and Judgements in Applying Accounting Policies

Ratings at 31 December 2015

	<b>Loans and receivables</b>
A-	53,985
	<b>53,985</b>

Ratings at 31 December 2014

	<b>Held to maturity</b>	<b>Loans and receivables</b>
A	4,357	-
A-	-	54,785
	<b>4,357</b>	<b>54,785</b>

**NOTE 24 INVESTMENTS IN SUBSIDIARIES**

<b>The Group</b>			<b>The Bank</b>	
<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>
		Securities accounted for under cost method:		
-	-	UAB "SEB Venture Capital"	7,240	7,241
-	-	UAB "SEB investicijų valdymas"	2,871	2,867
-	-	<b>Total investments in subsidiaries</b>	<b>10,111</b>	<b>10,108</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 25 INTANGIBLE ASSETS**

As of 31 December 2015 and 2014 intangible assets of the Group and the Bank consisted of the following:

<b>The Group</b>		<b>The Bank</b>	
<b>Software and other intangible fixed assets</b>		<b>Software and other intangible fixed assets</b>	
<b>Cost</b>			
43,799	31 December 2013	43,748	
346	Additions	346	
(761)	Disposals	(761)	
<b>43,384</b>	<b>31 December 2014</b>	<b>43,333</b>	
<b>Accumulated amortisation and impairment</b>			
29,829	31 December 2013	29,777	
3,005	Charge for the year	3,005	
(661)	Amorisation of disposals	(661)	
<b>32,173</b>	<b>31 December 2014</b>	<b>32,121</b>	
<b>Costs</b>			
43,384	31 December 2014	43,333	
695	Additions	694	
(25)	Disposals	(25)	
<b>44,054</b>	<b>31 December 2015</b>	<b>44,002</b>	
<b>Accumulated amortisation and impairment</b>			
32,173	31 December 2014	32,121	
3,025	Charge for the year	3,025	
(25)	Amorisation of disposals	(25)	
<b>35,173</b>	<b>31 December 2015</b>	<b>35,121</b>	
<b>Net book value</b>			
<b>11,211</b>	<b>31 December 2014</b>	<b>11,212</b>	
<b>8,881</b>	<b>31 December 2015</b>	<b>8,881</b>	

The new core banking platform was introduced in 2010 at cost of EUR 63,612 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 EUR 16,954 thousand. Amortisation period has not been revised. This system's net book value at 31 December 2015 was EUR 6,728 thousand (EUR 9,102 thousand at 31 December 2014).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 26 PROPERTY AND EQUIPMENT**

As of 31 December 2015 and 2014 property and equipment of the Group consisted of the following:

	<b>The Group</b>			
	<b>Buildings and other real estate</b>	<b>Computer equipment</b>	<b>Office equipment</b>	<b>Total property and equipment</b>
<b>Cost</b>				
31 December 2013	1,958	22,684	13,522	38,164
Additions	986	1,571	1,250	3,807
Disposals and reclassifications	(318)	(1,532)	(1,268)	(3,118)
<b>31 December 2014</b>	<b>2,626</b>	<b>22,723</b>	<b>13,504</b>	<b>38,853</b>
<b>Accumulated depreciation</b>				
31 December 2013	1,507	18,545	10,975	31,027
Charge for the year	213	1,781	802	2,796
Depreciation of disposals and reclassifications	(198)	(1,520)	(1,084)	(2,802)
<b>31 December 2014</b>	<b>1,522</b>	<b>18,806</b>	<b>10,693</b>	<b>31,021</b>
<b>Cost</b>				
31 December 2014	2,626	22,723	13,504	38,853
Additions	375	576	1,496	2,447
Reclassifications	(2,955)	-	2,955	-
Disposals	-	(814)	(1,333)	(2,147)
<b>31 December 2015</b>	<b>46</b>	<b>22,485</b>	<b>16,622</b>	<b>39,153</b>
<b>Accumulated depreciation</b>				
31 December 2014	1,522	18,806	10,693	31,021
Charge for the year	-	1,765	1,276	3,041
Depreciation of reclassified items	(1,522)	-	1,522	-
Depreciation of disposals	-	(811)	(1,118)	(1,929)
<b>31 December 2015</b>	<b>-</b>	<b>19,760</b>	<b>12,373</b>	<b>32,133</b>
<b>Net book value</b>				
<b>31 December 2014</b>	<b>1,104</b>	<b>3,917</b>	<b>2,811</b>	<b>7,832</b>
<b>31 December 2015</b>	<b>46</b>	<b>2,725</b>	<b>4,249</b>	<b>7,020</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 26 PROPERTY AND EQUIPMENT (CONTINUED)**

As of 31 December 2015 and 2014 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	
<b>Cost</b>				
31 December 2013	1,958	22,660	13,411	38,029
Additions	986	1,571	1,141	3,698
Disposals and reclassifications	(318)	(1,519)	(1,189)	(3,026)
<b>31 December 2014</b>	<b>2,626</b>	<b>22,712</b>	<b>13,363</b>	<b>38,701</b>
<b>Accumulated depreciation</b>				
31 December 2013	1,507	18,528	10,909	30,944
Charge for the year	213	1,779	792	2,784
Depreciation of disposals	(198)	(1,508)	(1,042)	(2,748)
<b>31 December 2014</b>	<b>1,522</b>	<b>18,799</b>	<b>10,659</b>	<b>30,980</b>
<b>Cost</b>				
31 December 2014	2,626	22,712	13,363	38,701
Additions	375	576	1,467	2,418
Reclassifications	(2,955)	-	2,955	-
Disposals	-	(814)	(1,327)	(2,141)
<b>31 December 2015</b>	<b>46</b>	<b>22,474</b>	<b>16,458</b>	<b>38,978</b>
<b>Accumulated depreciation</b>				
31 December 2014	1,522	18,799	10,659	30,980
Charge for the year	-	1,762	1,256	3,018
Depreciation of reclassified items	(1,522)	-	1,522	-
Depreciation of disposals	-	(811)	(1,113)	(1,924)
<b>31 December 2015</b>	<b>-</b>	<b>19,750</b>	<b>12,324</b>	<b>32,074</b>
<b>Net book value</b>				
<b>31 December 2014</b>	<b>1,104</b>	<b>3,913</b>	<b>2,704</b>	<b>7,721</b>
<b>31 December 2015</b>	<b>46</b>	<b>2,724</b>	<b>4,134</b>	<b>6,904</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 27 INVESTMENT PROPERTY**

As of 31 December 2015 and 2014 investment property of the Group and the Bank consisted of the following:

<u>The Group</u>		<u>The Bank</u>
	<b>Costs</b>	
5,022	31 December 2013	5,022
1,149	Taken over/Additions	1,149
(2,146)	Disposals	(2,146)
<b>4,025</b>	<b>31 December 2014</b>	<b>4,025</b>
	<b>Accumulated depreciation and impairment</b>	
323	31 December 2013	323
97	Depreciation for the year	97
(96)	Disposals	(96)
<b>324</b>	<b>31 December 2014</b>	<b>324</b>
	<b>Impairment loss</b>	
630	31 December 2013	630
(89)	Reversal of impairment loss attributable to disposed assets	(89)
<b>541</b>	<b>31 December 2014</b>	<b>541</b>
	<b>Costs</b>	
4,025	31 December 2014	4,025
2,905	Taken over/Additions	2,905
(2,180)	Disposals	(2,180)
<b>4,750</b>	<b>31 December 2015</b>	<b>4,750</b>
	<b>Accumulated depreciation and impairment</b>	
324	31 December 2014	324
99	Depreciation for the year	99
(100)	Disposals	(100)
<b>323</b>	<b>31 December 2015</b>	<b>323</b>
	<b>Impairment loss</b>	
541	31 December 2014	541
(225)	Reversal of impairment loss attributable to disposed assets	(225)
<b>316</b>	<b>31 December 2015</b>	<b>316</b>
	<b>Net book value</b>	
<b>3,160</b>	<b>31 December 2014</b>	<b>3,160</b>
<b>4,111</b>	<b>31 December 2015</b>	<b>4,111</b>

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 2015 and 31 December 2014.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 28 OTHER ASSETS, NET**

The Group			The Bank	
2015	2014		2015	2014
		<b>Financial other assets</b>		
777	283	Advances paid for assets to be leased	777	283
-	1,275	Amounts receivable for cash exported		1,275
		Amounts of executed bank transfers not yet settled against		
26,190	10,429	customers' accounts	26,190	10,429
55	53	Amounts outstanding for clearance	55	53
1,531	1,288	Accrued income	2,263	1,728
37	50	Current lease receivable	37	50
1,260	1,264	Other financial assets	1,260	1,263
<b>29,850</b>	<b>14,642</b>	<b>Total other financial assets</b>	<b>30,582</b>	<b>15,081</b>
		<b>Non financial other assets</b>		
552	177	Assets not yet leased	552	177
3,925	5,333	Deferred expenses	3,920	5,328
89	137	Tax receivables	89	-
5,204	3,421	Other assets, net of impairment allowances	2,654	2,901
<b>9,770</b>	<b>9,068</b>	<b>Total non financial other assets</b>	<b>7,215</b>	<b>8,406</b>
<b>39,620</b>	<b>23,710</b>	<b>Total other assets, net</b>	<b>37,797</b>	<b>23,487</b>

**NOTE 29 DUE TO CREDIT INSTITUTIONS**

The Group			The Bank	
2015	2014		2015	2014
849,934	711,101	Falling due within one year	849,934	711,101
243,000	560,561	Falling due after one year	243,000	560,561
<b>1,092,934</b>	<b>1,271,662</b>	<b>Total amounts due to credit institutions</b>	<b>1,092,934</b>	<b>1,271,662</b>

**NOTE 30 DEPOSITS FROM THE PUBLIC**

The Group			The Bank	
2015	2014		2015	2014
3,896,321	3,458,246	Current and demand deposits	3,904,184	3,461,524
842,995	973,191	Term deposits falling due within one year	842,995	976,928
27,240	36,696	Term deposits falling due after one year	27,240	36,696
<b>4,766,556</b>	<b>4,468,133</b>	<b>Total deposits from the public</b>	<b>4,774,419</b>	<b>4,475,148</b>

The Group			The Bank	
2015	2013		2015	2014
1,792,347	1,719,302	Corporate customers' deposits and accounts	1,800,210	1,726,317
2,974,209	2,748,831	Individual customers' deposits and accounts	2,974,209	2,748,831
<b>4,766,556</b>	<b>4,468,133</b>	<b>Total deposits from the public</b>	<b>4,774,419</b>	<b>4,475,148</b>

According to current requirement of Deposit Insurance Fund all banks in Lithuania have to make annual deposit insurance fund payments. This payment calculation has been changed during the year 2015. The schema for instalments of 0.45 percent for deposits of private individuals and corporate customers nominated in USD, EUR and other European Union countries' currencies was valid for the year 2014 and until the 3<sup>rd</sup> of July 2015. After 3<sup>rd</sup> of July payments calculation is formula based percentage of deposits nominated in all the currencies but not exceeding EUR 100 thousand equivalent.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 31 DEBT SECURITIES IN ISSUE**

<b>The Group</b>			<b>The Bank</b>	
<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>
<b>Debt securities in issue:</b>				
<b>Debt securities issued in 2011</b>				
-	429	index linked debt securities due 2015	-	429
1,318	1,278	index linked debt securities due 2016	1,318	1,278
1,154	1,124	index linked debt securities due 2017	1,154	1,124
<b>Debt securities issued in 2012</b>				
-	3,291	index linked debt securities due 2015	-	3,291
1,580	1,627	index linked debt securities due 2016	1,580	1,627
2,257	2,185	index linked debt securities due 2017	2,257	2,185
<b>Debt securities issued in 2013</b>				
5,703	5,686	index linked debt securities due 2016	5,703	5,686
774	756	index linked debt securities due 2017	774	756
<b>Debt securities issued in 2014</b>				
-	732	index linked debt securities due 2015	-	732
3,357	3,344	index linked debt securities due 2017	3,357	3,344
500	513	index linked debt securities due 2018	500	513
<b>16,643</b>	<b>20,965</b>	<b>Total debt securities in issue</b>	<b>16,643</b>	<b>20,965</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 32 ACCRUED EXPENSES, OTHER LIABILITIES AND PROVISIONS**

<b>The Group</b>			<b>The Bank</b>	
<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>
		<b>Other financial liabilities</b>		
3,573	3,375	Amounts outstanding for clearance	3,575	3,375
1,773	4,626	Not settled clients funds from trading with securities	1,773	4,626
20,063	12,086	Deposit Insurance Fund amounts owed to Snoras depositors	20,063	12,086
1,252	1,419	Prepayments for finance lease	1,252	1,419
		Accounts payable for assets purchased under finance lease		
2,856	578	lease	2,856	578
3,929	3,261	Provisions for off balance sheet items	3,929	3,261
6,118	5,888	Factoring payables	6,118	5,888
2,500	3,617	Other financial liabilities	2,500	3,606
<b>42,064</b>	<b>34,850</b>	<b>Total other financial liabilities</b>	<b>42,066</b>	<b>34,839</b>
		<b>Non financial liabilities</b>		
15	103	Taxes	5	94
5,553	4,625	Vacation reserve accrual	5,531	4,608
2,685	2,559	Prepayments for operating lease	2,685	2,559
4,839	5,154	Other liabilities	4,370	5,153
<b>13,092</b>	<b>12,441</b>	<b>Total other non financial liabilities</b>	<b>12,591</b>	<b>12,414</b>
<b>55,156</b>	<b>47,291</b>	<b>Total other liabilities and provisions</b>	<b>54,657</b>	<b>47,253</b>

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 EUR 20,063 thousand (2014: EUR 12,086 thousand) represent funds received from the state enterprise Indėlių ir Investicijų Draudimas but not yet distributed to the Bank Snoras depositors. Balance increase at the end of 2015 is because of not yet distributed additional amounts for compensation of holders of Bank Snoras deposit certificates (at the end of the year 2015 Lithuanian Republic Supreme Court took a decision that deposit certificates have to be compensated as well)

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.

<b>The Group</b>			<b>The Bank</b>	
<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>
		<b>Accrued financial liabilities</b>		
9	1,548	Accrued financial liabilities	9	1,390
		<b>Non financial liabilities</b>		
206	150	Deffered income	206	150
9,596	12,230	Other accrued expenses	9,423	11,562
<b>9,811</b>	<b>13,928</b>	<b>Total accrued expenses</b>	<b>9,638</b>	<b>13,102</b>

**NOTE 33 SHAREHOLDERS' EQUITY**

As of 31 December 2015 and 2014 the share capital of the Bank consisted of 15,441,423 ordinary shares with par value EUR 19.4 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 2015 amounted to EUR 637 thousand (2014: EUR 637 thousand) for the Bank and EUR 637 thousand (2014: EUR 637 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 2015 legal reserve was EUR 120,737 thousand (2014: EUR 101,504 thousand) for the Bank and EUR 121,280 thousand (2014: EUR 102,047 thousand) for the Group, in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 33 SHAREHOLDERS' EQUITY (CONTINUED)**

Financial assets revaluation reserve (deficit) represents available for sale securities revaluation gain (loss). The financial assets reserve movement in 2015 amount consists of the following:

The Group			The Bank	
2015	2014		2015	2014
162	598	Government securities – change in revaluation	160	598
58	58	Government securities - amortization of revaluation	58	58
15,866	-	Equity securities – change in revaluation reserve (note 23)	15,866	-
(2,412)	(98)	Tax recognised in equity (note 13)	(2,412)	(98)
<b>13,674</b>	<b>558</b>	<b>Net change in available for sale investments, net of deferred tax</b>	<b>13,672</b>	<b>558</b>

As of 31 December 2015 general and other reserves represent general reserve for possible losses in amount of EUR 2,704 thousand (2014: EUR 2,704 thousand), that can only be offset with the current losses and share based compensation reserve in amount of EUR 472 thousand (2014: EUR 446 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 2015 were EUR 472 thousand (2014: EUR 446 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 2015 and 2014 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
<b>Total</b>	<b>15,441,423</b>	<b>100.00</b>

**NOTE 34 ASSETS UNDER MANAGEMENT**

The Group			The Bank	
2015	2014		2015	2014
8,992	8,687	Customers funds	-	-
182,965	260,865	Financial instruments acquired at customer account	-	-
665,730	602,758	Accounts receivable from customer assets managed on trust basis	-	-
<b>857,687</b>	<b>872,310</b>	<b>Total assets under management</b>	<b>-</b>	<b>-</b>

All assets management services are performed by UAB “SEB investicijų valdymas”. For the year ended 31 December 2015 the management fee for funds management amounted to EUR 6,413 thousand (2014: EUR 5,044 thousand) and it is included in ‘Net fee and commission income’ line in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 35 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 2015:

	<b>The Group</b>	<b>The Bank</b>
Tier 1 capital (less intangible assets)	691,664	689,022
Tier 2 capital	24,396	24,395
of which IRB provision excess	16,300	16,300
Less deductible investments	-	-
Less IRB provision shortfall	-	-
Risk weighted assets	3,173,170	3,180,432
of which risk weighted assets due to transitional capital requirements	-	-
<b>Capital adequacy ratio before adjustment of capital requirements according to Basel II requirements as of 31 December 2015</b>	<b>22.57%</b>	<b>22.43%</b>
<b>Capital adequacy ratio according to Basel II requirements as of 31 December 2015</b>	<b>22.57%</b>	<b>22.43%</b>

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:

	<b>The Group</b>	<b>The Bank</b>
Tier 1 capital (less intangible assets)	677,887	675,434
Tier 2 capital	19,715	19,805
of which IRB provision excess	17,302	17,302
Less deductible investments	-	-
Less IRB provision shortfall	-	-
Risk weighted assets	3,408,181	3,416,040
of which risk weighted assets due to transitional capital requirements	-	-
<b>Capital adequacy ratio before adjustment of capital requirements according to Basel II requirements as of 31 December 2014</b>	<b>20.47%</b>	<b>20.35%</b>
<b>Capital adequacy ratio according to Basel II requirements as of 31 December 2014</b>	<b>20.47%</b>	<b>20.35%</b>

As at 31 December 2015 and 2014 the Bank and the Group were compliant with the capital adequacy requirements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 36 NET FOREIGN CURRENCY POSITION**

The following table presents the equivalent amount in thousands of EUR of the net position of assets and liabilities denominated in currencies other than EUR as of 31 December 2015:

The Group			Rates	The Bank	
Position	Percentage of capital	Currency		Position	Percentage of capital
(5,697)	(0.81)	U.S. Dollars (USD)	1.0926	(5,694)	(0.81)
14	0.00	Canadian Dollars (CAD)	1.5171	14	0.00
50	0.01	Russian Rubles (RUB)	79.754	50	0.01
436	0.06	The remaining long positions	N/A	434	0.06
(19)	-	The remaining short positions	N/A	(39)	(0.01)
<b>5,716</b>	<b>0.81</b>	<b>Open long position</b>	<b>N/A</b>	<b>5,733</b>	<b>0.82</b>

As of 31 December 2014:

The Group			Rates	The Bank	
Position	Percentage of capital	Currency		Position	Percentage of capital
(7,987)	(1.09)	U.S. Dollars (USD)	2.8387	(7,969)	(1.09)
21	0.00	Canadian Dollars (CAD)	2.44	21	-
(13)	(0.00)	Russian Rubles (RUB)	0.0502	(13)	0.00
752	0.10	The remaining long positions	N/A	752	0.10
(175)	(0.02)	The remaining short positions	N/A	(195)	(0.03)
-	-			-	-
<b>8,175</b>	<b>1.11</b>	<b>Open long position</b>	<b>N/A</b>	<b>8,177</b>	<b>1.12</b>

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 2015 and 2014 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 37.

**NOTE 37 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	2015	2014
Effect to the market value of shareholders equity (delta 1%)	22,931	15,801
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Bank)	875	792
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Group)	875	792

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 37 INTEREST RATE RISK MANAGEMENT (CONTINUED)**

Value at Risk assessment results on total portfolios positions:

The Group			The Bank	
2015	2014		2015	2014
1,969	1,799	Interest rate risk (stand-alone)	1,969	1,799
195	166	Credit spread risk (stand-alone)	195	166
18	4	Foreign exchange risk (stand-alone)	18	4
1,865	4	Equity price risk (stand-alone)	1,865	4
(206)	(13)	Diversification effect	(206)	(13)
<b>3,841</b>	<b>1,960</b>	<b>Total</b>	<b>3,841</b>	<b>1,960</b>

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

In 2015, the market VaR increased compared to 2014 mainly due to Visa Inc. equity position, that was revalued after Visa Inc. announced buying out VISA Europe Limited shares from it's member banks.

The table below provides the Group's interest rate gap analysis as of 31 December 2015:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
<b>Assets</b>				
Net loans	3,722,318	143,431	620,452	4,486,201
Finance lease receivable, net	378,934	14,826	3,875	397,635
Debt securities	154,010	206,617	63,316	423,944
Interbank deposits and net loans	170,705	(0)	-	170,705
Off balance sheet assets	497,020	195,665	269,034	961,720
<b>Total interest rate sensitive assets</b>	<b>4,922,987</b>	<b>560,539</b>	<b>956,677</b>	<b>6,440,204</b>
<b>Liabilities</b>				
Term deposits	849,965	23,206	3,897	877,068
Interbank deposits and loans	681,556	225,000	18,000	924,556
Other liabilities	8,138	7,617	-	15,755
Off balance sheet liabilities	500,566	211,665	248,587	960,818
<b>Total interest rate sensitive liabilities</b>	<b>2,040,224</b>	<b>467,488</b>	<b>270,484</b>	<b>2,778,196</b>
<b>Gap</b>	<b>2,882,763</b>	<b>93,051</b>	<b>686,194</b>	<b>3,662,008</b>
Assets, non sensitive to interest rate				1,386,501
Liabilities and equity, non sensitive to interest rate				5,047,607

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 37 INTEREST RATE RISK MANAGEMENT (CONTINUED)**

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

<b>Maturity</b>	<b>Up to 1 year</b>	<b>1 - 3 year</b>	<b>Over 3 years</b>	<b>Total</b>
<b>Assets</b>				
Net loans	3,568,144	106,266	626,070	4,300,480
Finance lease receivable, net	377,661	14,345	3,637	395,643
Debt securities	152,761	220,791	49,738	423,290
Interbank deposits and net loans	557,497	-	-	557,497
Off balance sheet assets	424,804	169,208	240,576	834,588
<b>Total interest rate sensitive assets</b>	<b>5,080,867</b>	<b>510,610</b>	<b>920,021</b>	<b>6,511,498</b>
<b>Liabilities</b>				
Term deposits	972,464	31,451	4,778	1,008,693
Interbank deposits and loans	584,342	537,561	23,000	1,144,903
Other liabilities	4,221	15,399	508	20,128
Off balance sheet liabilities	493,604	116,209	223,576	833,389
<b>Total interest rate sensitive liabilities</b>	<b>2,054,631</b>	<b>700,620</b>	<b>251,862</b>	<b>3,007,113</b>
<b>Gap</b>	<b>3,026,236</b>	<b>(190,010)</b>	<b>668,159</b>	<b>3,504,385</b>
Assets, non sensitive to interest rate				1,072,304
Liabilities and equity, non sensitive to interest rate				4,575,490

The table below provides the Bank's interest rate gap analysis as of 31 December 2015:

<b>Maturity</b>	<b>Up to 1 year</b>	<b>1 - 3 year</b>	<b>Over 3 years</b>	<b>Total</b>
<b>Assets</b>				
Net loans	3,722,317	143,431	619,609	4,485,357
Finance lease receivable, net	378,962	14,852	3,882	397,695
Debt securities	154,010	206,617	63,226	423,854
Interbank deposits and net loans	170,705	(0)	-	170,705
Off balance sheet assets	497,020	195,665	269,034	961,720
<b>Total interest rate sensitive assets</b>	<b>4,923,014</b>	<b>560,565</b>	<b>955,751</b>	<b>6,439,330</b>
<b>Liabilities</b>				
Term deposits	857,826	23,206	3,897	884,929
Interbank deposits and loans	681,555	225,000	18,000	924,555
Other liabilities	8,138	7,617	-	15,755
Off balance sheet liabilities	500,566	211,665	248,587	960,818
<b>Total interest rate sensitive liabilities</b>	<b>2,048,084</b>	<b>467,488</b>	<b>270,484</b>	<b>2,786,056</b>
<b>Gap</b>	<b>2,874,930</b>	<b>93,076</b>	<b>685,268</b>	<b>3,653,274</b>
Assets, non sensitive to interest rate				1,390,404
Liabilities and equity, non sensitive to interest rate				5,042,776

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 37 INTEREST RATE RISK MANAGEMENT (CONTINUED)**

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

<b>Maturity</b>	<b>Up to 1 year</b>	<b>1 - 3 year</b>	<b>Over 3 years</b>	<b>Total</b>
<b>Assets</b>				
Net loans	3,578,998	106,266	625,160	4,310,424
Finance lease receivable, net	377,672	14,366	3,672	395,710
Debt securities	152,664	220,790	49,650	423,104
Interbank deposits and net loans	557,497	-	-	557,497
Off balance sheet assets	424,804	169,209	240,576	834,589
<b>Total interest rate sensitive assets</b>	<b>5,091,635</b>	<b>510,631</b>	<b>919,058</b>	<b>6,521,324</b>
<b>Liabilities</b>				
Term deposits	976,201	31,451	4,778	1,012,430
Interbank deposits and loans	584,343	537,561	23,000	1,144,904
Other liabilities	4,221	15,399	508	20,128
Off balance sheet liabilities	50,485	116,209	223,576	390,270
<b>Total interest rate sensitive liabilities</b>	<b>1,615,250</b>	<b>700,620</b>	<b>251,862</b>	<b>2,567,732</b>
<b>Gap</b>	<b>3,476,385</b>	<b>(189,989)</b>	<b>667,196</b>	<b>3,953,592</b>
Assets, non sensitive to interest rate				1,061,023
Liabilities and equity, non sensitive to interest rate				4,570,296

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 38 COMPLIANCE WITH REGULATORY REQUIREMENTS**

As of 31 December 2015 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 2015**

	<b>2015</b>	<b>2014</b>
Interest income	119,666	133,555
Interest expenses	(40,297)	(41,812)
<b>Net interest income</b>	<b>79,369</b>	<b>91,743</b>
Impairment loss on loans	(6,142)	(3,404)
Impairment reversals on lease portfolio	1,558	444
Provisions for guarantees and other off balance sheet items	(336)	(2,677)
Other impairment losses	(3)	3
<b>Total impairment losses</b>	<b>(4,923)</b>	<b>(5,634)</b>
<b>Net interest income after provisions</b>	<b>74,446</b>	<b>86,109</b>
Net service charges and other income	52,549	59,512
Net gain (loss) on equity investments	4,500	(174)
Net gain on operations with debt securities and financial instruments	2,394	2,205
Net foreign exchange gain	15,333	18,255
Staff costs	(40,803)	(38,430)
Other administrative expenses	(37,062)	(40,250)
<b>Profit before income tax</b>	<b>71,357</b>	<b>87,227</b>
Income tax	(10,044)	(21,697)
<b>Net profit for the year</b>	<b>61,313</b>	<b>65,530</b>
<b>Attributable to:</b>		
Owners of the Bank	61,313	65,530
Non controlling interest	-	-
	<b>61,313</b>	<b>65,530</b>
Earnings per share, attributable to equity holders of the parent (EUR):	3.97	4.24

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 38 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)**

**Statement of Comprehensive Income for the Group excluding  
UAB "SEB Venture Capital" entities  
for the year ended 31 December 2015**

	2015	2014
<b>Net profit for the year</b>	<b>61,313</b>	<b>65,530</b>
<i>Items that may subsequently be reclassified to the income statement</i>		
Net gain on available for sale assets	16,028	598
Amortisation of financial assets revaluation reserve of reclassified financial assets	58	58
Income tax relating to the components of other comprehensive income	(2,412)	(98)
<i>Items that will not be reclassified to the income statement</i>	-	-
<b>Total other comprehensive income</b>	<b>13,674</b>	<b>558</b>
<b>Total comprehensive income</b>	<b>74,987</b>	<b>66,088</b>
<b>Attributable to:</b>		
Owners of the Bank	74,987	66,088



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 38 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)**

**Statement of Financial Position of the Group excluding UAB "SEB Venture Capital"  
entity  
as of 31 December 2015**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash in hand	133,256	99,203
Balances with the Central Banks	947,896	1,065,923
Due from banks, net	253,185	241,193
Government securities available for sale	17,263	17,789
Financial assets at fair value through profit and loss	352,696	346,358
Derivative financial instruments	109,623	117,592
Loans to credit institutions	12,236	11,063
Loans to customers	4,479,353	4,302,834
Finance lease receivable	396,137	393,013
Investment securities:		-
- loans and receivables	53,985	54,785
- available for sale	15,924	58
- held to maturity	-	4,357
Investments in subsidiaries	7,240	7,241
Intangible fixed assets	8,881	11,211
Property, plant and equipment	6,995	7,801
Non-current assets held for sale	298	649
Investment property	4,111	3,159
Deferred tax asset	28,571	37,374
Other assets, net	37,684	23,571
<b>Total assets</b>	<b>6,865,334</b>	<b>6,745,176</b>
<b>Liabilities</b>		
Amounts owed to the Central Banks	17	17
Amounts owed to credit institutions	1,092,934	1,271,662
Derivative financial instruments	109,031	119,680
Deposits from the public	4,769,626	4,469,507
Accrued expenses and deferred income	9,804	13,305
Income tax payable	10,467	10,702
Debt securities in issue	16,643	20,965
Other liabilities and provisions	54,716	47,289
<b>Total liabilities</b>	<b>6,063,238</b>	<b>5,953,127</b>
<b>Equity</b>		
<b>Equity attributable to equity holder of the parent</b>		
Paid in capital	299,564	299,634
Reserve capital	637	637
Financial assets revaluation reserve	13,493	(181)
Legal reserves	121,023	101,791
General and other reserves	3,176	3,150
Net income for the period and retained earnings	364,203	387,018
	802,096	792,049
<b>Non controlling interest</b>	-	-
<b>Total equity</b>	<b>802,096</b>	<b>792,049</b>
<b>Total liabilities and equity</b>	<b>6,865,334</b>	<b>6,745,176</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 38 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 2015**

	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
<b>31 December 2013</b>	<b>299,634</b>	<b>637</b>	<b>(739)</b>	<b>83,503</b>	<b>4,556</b>	<b>367,925</b>	<b>755,517</b>	<b>-</b>	<b>755,517</b>
Net change in available for sale investments, net of deferred tax	-	-	500	-	-	-	500	-	500
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	58	-	-	-	58	-	58
Net loss for the period	-	-	-	-	-	65,530	65,530	-	65,530
<i>Net income (loss) recognized directly in equity</i>	-	-	558	-	-	65,530	66,088	-	66,088
Other movements	-	-	-	-	(1,851)	1,851	-	-	-
Share-based compensation	-	-	-	-	445	-	445	-	445
Transfer to reserves	-	-	-	18,288	-	(18,288)	-	-	-
Dividends to shareholders	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
<b>31 December 2014</b>	<b>299,634</b>	<b>637</b>	<b>(181)</b>	<b>101,791</b>	<b>3,150</b>	<b>387,018</b>	<b>792,049</b>	<b>-</b>	<b>792,049</b>
Net change in available for sale investments, net of deferred tax	-	-	13,616	-	-	-	13,616	-	13,616
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	58	-	-	-	58	-	58
Net income for the period	-	-	-	-	-	61,313	61,313	-	61,313
<i>Net income recognized directly in equity</i>	-	-	13,674	-	-	61,313	74,987	-	74,987
Adjustment of share capital due to conversion to euro	(70)	-	-	-	-	-	(70)	-	(70)
Other movements	-	-	-	-	(446)	446	-	-	-
Dividends to shareholders	-	-	-	-	-	(65,341)	(65,341)	-	(65,341)
Share-based compensation	-	-	-	-	472	-	472	-	472
Transfer to reserves	-	-	-	19,233	-	(19,233)	-	-	-
<b>31 December 2015</b>	<b>299,564</b>	<b>637</b>	<b>13,493</b>	<b>121,023</b>	<b>3,176</b>	<b>364,203</b>	<b>802,096</b>	<b>-</b>	<b>802,096</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 38 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)**

**Statement of Cash Flows of the Group excluding UAB "SEB Venture Capital"  
entity  
for the year ended 31 December 2015**

	2015	2014
<b>Cash from operating activities</b>		
Interest income received	114,960	128,723
Interest expenses paid	(42,612)	(44,879)
Net foreign currency exchange gain	12,680	16,019
Net gain in securities trading and financial instruments	(2,467)	4,333
Net (loss) gain in derivatives trading	1,468	(2,485)
Net commission and service income	51,912	59,372
Staff costs	(39,259)	(39,199)
Other payments	(26,411)	(32,615)
<b>Net cash from operating activities before change in operating assets</b>	<b>70,271</b>	<b>89,271</b>
<b>Changes in operating assets</b>		
(Decrease) increase in compulsory balances with the Central Bank	665,458	(594,296)
Decrease (increase) in due from banks and loans to credit and financial institutions	(155,140)	908,021
Decrease (increase) in loans to customers	(184,171)	91,602
Decrease (increase) of finance lease receivable	(2,277)	22,318
Decrease (increase) in other current assets	(14,470)	3,678
<b>Net change in operating assets</b>	<b>309,400</b>	<b>431,324</b>
<b>Changes in operating liabilities</b>		
Increase in deposits from public	300,647	639,828
Increase in accrued expenses, deferred income and other liabilities	6,046	13,648
<b>Net change in operating liabilities</b>	<b>306,693</b>	<b>653,475</b>
<b>Net cash from operating activities before income tax</b>	<b>686,364</b>	<b>1,174,070</b>
Income tax paid	(2,662)	-
<b>Net cash from (to) operating activities after income tax</b>	<b>683,702</b>	<b>1,174,070</b>
<b>Cash flow from (used in) investing activities</b>		
Acquisition of tangible and intangible fixed assets, net	(2,575)	(3,880)
Sale of Government securities available for sale	827	742
Acquisition of other investment securities	(538,519)	(430,410)
Sale of other investment securities	544,042	354,613
<b>Cash flow used in investing activities</b>	<b>3,775</b>	<b>(78,934)</b>
<b>Cash flow from financing activities</b>		
Dividends paid to the shareholder	(65,341)	(30,000)
Increase in amounts owed to the Central Banks	-	8
(Decrease) increase in amounts owed to credit and financial institutions	(177,981)	(805,243)
Proceeds from own issued debt securities	-	5,317
Repurchased own issued debt securities	(4,357)	(18,814)
Interest paid for own issued debt securities	(289)	(1,215)
<b>Cash received (used in) financing activities</b>	<b>(247,968)</b>	<b>(849,948)</b>
<b>Net increase (decrease) in cash/cash equivalents</b>	<b>439,509</b>	<b>245,188</b>
<b>Cash/cash equivalents 1 January</b>	<b>666,554</b>	<b>421,366</b>
<b>Cash/cash equivalents 31 December</b>	<b>1,106,063</b>	<b>666,554</b>
Specified as follows:		
Balance available for withdrawal with the Central Banks	878,143	330,711
Overnight deposits	-	194,377
Cash on hand	133,256	99,203
Current accounts with other banks	94,664	42,262
	<b>1,106,063</b>	<b>666,554</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 39 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	
2015	2014			2015	2014
		Outstanding loan amount	0.00-3.50		
167,709	16,754	at the year end		167,709	16,754
37	357	Other assets at the year end	-	37	357
		Outstanding deposit amount			
21,784	18,043	at the year end	0.01-5.49	21,784	18,043
3,530	3,840	Other liabilities at year end		3,480	3,794
54	5	Unused granted overdraft facilities	3.5	54	5
(109)	707	Guarantees received at the year end	-	(109)	707
93	81	Interest income		93	81
(5)	(17)	Interest expense		(5)	(17)
(239)	(1,391)	Other services received and cost incurred from SEB group, net		443	(1,362)

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

The Group			Interest rate %	The Bank	
2015	2014			2015	2014
		Outstanding loan amount			
5,347	201,033	at the year end	3.5	5,347	201,033
		Derivative financial instruments	-		
83,212	84,906	at the year ended		83,212	84,906
33	283	Other assets at the year end	-	33	283
		Outstanding deposit amount			
963,843	1,151,885	at the year end	0.04-5.49	963,843	1,151,885
34,051	42,317	Other liabilities at year end		34,051	42,317
		Unused granted overdraft facilities	3.5		
4,019	1,464	Guarantees issued at the year end	-	4,019	1,464
7,642	-	Guarantees received at the year end	-	7,642	-
(131,944)	191,613	Guarantees received at the year end	-	(131,944)	191,613
		Interest income	-		
(810)	5,780	Interest expense	-	(810)	5,780
(17,996)	(23,926)	Other services received and cost incurred from SEB group, net	-	(17,996)	(23,926)
31	(119)		-	31	(195)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 39 RELATED PARTIES (CONTINUED)**

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

	Interest rate %	The Bank	
		2015	2014
<b>Off-balance sheet commitments as of 31 December:</b>			
Agreements to grant loans	-	-	2,166
<b>Outstanding loan amounts at year end:</b>			
UAB "SEB Venture Capital"	-	-	10,854
UAB "SEB investicijų valdymas"	3.5	59	68
<b>Outstanding deposit amounts at year end:</b>			
UAB "SEB Venture Capital"	-	3,071	1,375
UAB "SEB investicijų valdymas"	-	4,792	5,641
		n/a	-
Other assets at year end	-	841	561
	-		
Interest income	-	18	159
Interest expense	-		(5)
Dividend income	-	6,855	2,165
Other services received and cost incurred from subsidiaries, net	-	3,569	2,535

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

The Group		Interest rate %	The Bank	
2015	2014		2015	2014
1,140	8,388	10	-	7,478
-	991	-	-	991
-	2,404	-	-	2,404
45	331	-	-	55
-	16	-	-	16

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 39 RELATED PARTIES (CONTINUED)**

The loans issued to directors and other key management personnel (and close family members) are repayable on a regular basis over the period of loan. Transactions with key management (the Board members) during the year can be specified as follows:

The Group			Interest rate %	The Bank	
2015	2014			2015	2014
		Outstanding loan amount			
784	1,191	at the year end	1.54-3.00	784	1,191
22	26	Finance lease receivable	1.357	22	26
542	-	Other assets	-	542	-
		Outstanding deposit amount			
29	580	at the year end	-	29	580
-	888	Payroll	-	830	888
-	281	Social security	-	262	281
5	9	Interest income	-	5	9
1	1	Other income, net	-	1	1

**NOTE 40 ASSETS CLASSIFIED AS HELD FOR SALE**

As of 31 December 2015 and 2014 major amount of the Group's non-current assets held for sale comprise of leased and subsequently foreclosed assets held for sale (mainly trucks and other vehicles), that are expected to be sold in one year. These assets are classified as non-current assets held for sale as they have been accounted as finance lease portfolio before foreclosure and as of the balance sheet date these assets are ready for immediate sale and the Group's management is committed to a plan to sell these assets.

Assets foreclosed or returned after termination of lease agreements are presented in the table below:

Asset group	Net value as of 31 December 2014	Foreclosed or returned	Sold	Net value as of 31 December 2015
Cars and mini-vans	-	-	-	-
Trucks	13	-	(13)	-
Manufacturing equipment	169	-	-	169
Construction equipment	0	-	-	0
Real estate	466	60	(397)	129
	<b>648</b>	<b>60</b>	<b>(410)</b>	<b>298</b>

Gross book value and impairment of assets classified as held for sale are presented in the table below:

The Group			The Bank	
2015	2014		2015	2014
1,566	2,716	Foreclosed assets or assets returned after termination of agreements	1,566	2,716
(1,268)	(2,067)	Impairment losses	(1,268)	(2,067)
<b>298</b>	<b>649</b>	<b>Foreclosed assets or assets returned after termination of agreements, net</b>	<b>298</b>	<b>649</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 41 CONTINGENCIES AND COMMITMENTS**

The Group			The Bank		
2015	2014		2015	2014	
976,408	979,323	Agreements to grant loans	976,408	981,490	
134,131	130,672	Financial guarantees issued	134,131	130,672	
32,602	49,555	Letters of credit issued	32,602	49,555	
11,275	12,305	Commitments to purchase assets	11,275	12,305	
11	11	Customs financial guarantees collateralised by deposits	11	11	

Legal proceedings

There were several proceedings outstanding against the Group and the Bank at 31 December 2015 and 2014. 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 2015 and 2014 when the Group and the Bank is lessee:

The Group			The Bank		
2015	2014		2015	2014	
		The total of future minimum operating lease commitments under non-			
36,764	41,481	cancellable operating leases:	36,764	41,481	
7,983	7,862	<i>up to 1 year</i>	7,983	7,862	
22,272	23,504	<i>1-5 years</i>	22,272	23,504	
6,509	10,115	<i>Over 5 years</i>	6,509	10,115	
		The total of future minimum sublease payments to be received under non-			
(2,205)	(1,998)	cancellable subleases	(2,329)	(1,999)	
		Operating lease and sublease payments recognised in the income			
		statement:			
8,415	8,945	<i>minimum operating lease payments</i>	8,415	8,945	
(1,093)	(1,102)	<i>sublease payments</i>	(1,128)	(1,139)	

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		
2015	2014		2015	2014	
1,019	911	Short term deferred income (up to 1 year)	1,045	912	
1,186	1,012	Long term deferred income (up to 5 years)	1,284	1,012	
-	75	Long term deferred income (more to 5 years)	-	75	
<b>2,205</b>	<b>1,998</b>	<b>Total future lease and rental payments receivable under non-cancellable operating lease</b>	<b>2,329</b>	<b>1,999</b>	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in EUR thousand unless otherwise stated)

**NOTE 42 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The following financial assets and liabilities as at 31 December 2015 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
<b>Assets</b>						
Derivative assets	1,161,871	1,050,949	110,922	1,306	-	109,616
<b>TOTAL</b>	<b>1,161,871</b>	<b>1,050,949</b>	<b>110,922</b>	<b>1,306</b>	<b>-</b>	<b>109,616</b>

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
<b>Liabilities</b>						
Derivative liabilities	1,163,002	1,050,943	112,059	1,306	-	110,753
<b>TOTAL</b>	<b>1,163,002</b>	<b>1,050,943</b>	<b>112,059</b>	<b>1,306</b>	<b>-</b>	<b>110,753</b>
<b>NET</b>	<b>-1,131</b>	<b>6</b>	<b>-1,137</b>	<b>-</b>	<b>-</b>	<b>-1,137</b>

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
<b>Assets</b>						
Derivative assets	2,503,092	2,385,500	117,592	1,436	-	119,028
<b>TOTAL</b>	<b>2,503,092</b>	<b>2,385,500</b>	<b>117,592</b>	<b>1,436</b>	<b>-</b>	<b>119,028</b>

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
<b>Liabilities</b>						
Derivative liabilities	2,505,180	2,385,500	119,680	1,436	-	118,244
<b>TOTAL</b>	<b>2,505,180</b>	<b>2,385,500</b>	<b>119,680</b>	<b>1,436</b>	<b>-</b>	<b>118,244</b>
<b>NET</b>	<b>-2,088</b>	<b>-</b>	<b>-2,088</b>	<b>-</b>	<b>-</b>	<b>785</b>

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.

**NOTE 43 INTERESTS IN OTHER ENTITIES**

At the end of the reporting period AB SEB bankas subsidiary UAB "SEB Venture Capital" did not hold material investments in associates accounted at fair value through profit or loss upon initial recognition.

**NOTE 44 EVENTS AFTER THE REPORTING PERIOD**

After 31 December 2015 the Bank has not issued non-equity securities issues.

After 31 December 2015 the Bank redeemed 7 non-equity securities issues with the nominal value of EUR 2.36 million.

\*\*\*\*\*



**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 the wording of Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania which shall be applicable for drafting of the Consolidated Annual Report for the year 2015 and item 24.5 of the Listing Rules of AB NASDAQ Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ 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
<b>Principle I: Basic Provisions</b>		
<b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
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.	YES	
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.	YES	
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.	YES	
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.	YES	
<b>Principle II: The corporate governance framework</b>		
<b>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.</b>		

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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.<sup>1</sup></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.<sup>2</sup></p>	<p>YES</p>	<p>The board (executives directors) consists of 5 (five) members. The Supervisory Council consists of 8 (eight) members.</p>

<sup>1</sup> 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.

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

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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 departure 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><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p><b>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.<sup>3</sup></b></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 1<sup>st</sup> 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>

<sup>3</sup> 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.

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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>

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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 sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	<p>NOT APPLICABLE</p>	<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"> <li>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;</li> <li>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;</li> <li>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);</li> </ol>	<p>YES/NO</p>	<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>

<sup>4</sup> 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.

<sup>5</sup> 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.

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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>
---	---------------	--

## APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015

(All amounts in EUR thousands unless otherwise stated)

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.	NO	Comment at 3.6 and 3.7.
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.	NO	Comment at 3.6 and 3.7.
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. <sup>6</sup> The general shareholders' meeting should approve the amount of such remuneration.	NOT APPLICABLE	Comment at 3.6 and 3.7.
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p><b>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 monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b></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. <sup>8</sup>	YES	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.

<sup>6</sup> 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.

<sup>7</sup> See Footnote 3.

<sup>8</sup> 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.

## APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015

(All amounts in EUR thousands unless otherwise stated)

<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 half<sup>9</sup> 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	
<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>	YES/ NO	<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>

<sup>9</sup> 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.



**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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 bodies<sup>10</sup>. 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 advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>YES</p>	
<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 committees<sup>11</sup>. 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, Remuneration and Human Resource and Risk 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 and Risk Committee as the legal acts require that such committees would 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>

<sup>10</sup> 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.

<sup>11</sup>The 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).

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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>	
<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 and Risk 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, Remuneration and Human Resource and Risk committees functions in accordance with the regulations approved by the Supervisory Council that establish the authorities 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>

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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 committees' instructions do not specify the events when the chairman of the committee should maintain a direct communication with the shareholders.</p>
<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection and appointment of senior management.</li> </ul> <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. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> <li>• 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</li> </ul>	<p>YES  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. 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</p>

## APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015

(All amounts in EUR thousands unless otherwise stated)

<p>long-term interests of the shareholders and the objectives set by the collegial body;</p>		<p>Vice-Presidents, members of the Management Board, heads of the Internal Audit, Compliance and Risk Control.</p>
<ul style="list-style-type: none"> <li>• 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;</li> </ul>	YES	<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>
<ul style="list-style-type: none"> <li>• Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;</li> </ul>	YES	
<ul style="list-style-type: none"> <li>• Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</li> </ul>	YES	
<ul style="list-style-type: none"> <li>• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> </ul>	YES	
<ul style="list-style-type: none"> <li>• 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);</li> </ul>	YES	
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	YES	<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>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>	YES	
<ul style="list-style-type: none"> <li>• Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> </ul>		<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>
<ul style="list-style-type: none"> <li>• Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> </ul>		
<ul style="list-style-type: none"> <li>• 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.</li> </ul>		
<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>	YES	
<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>	NO	<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</p>

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015

(All amounts in EUR thousands unless otherwise stated)

		<p>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. 4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> <li>• 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 and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ul> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial</p>	<p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p>	<p>The Audit and Compliance Committee discusses, on regular basis, the external auditors' comments, including the consistency of accounting methods.</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>

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<p>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>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>

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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>
<p><b>Principle V: The working procedure of the company’s collegial bodies</b></p> <p><b>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.</b></p>		
<p>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.</p>	<p>YES</p>	<p>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.</p>
<p>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<sup>12</sup>.</p>	<p>YES</p>	<p>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 (with some exceptions).</p>

<sup>12</sup> 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.

## APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015

(All amounts in EUR thousands unless otherwise stated)

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.
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><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p> <p><b>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.</b></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. <sup>13</sup> 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.

<sup>13</sup> 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.



**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<p>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.</p>	<p>NOT APPLICABLE</p>	<p>Bank has one shareholder.</p>
<p>6.5. If it 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 publicly 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>NOT APPLICABLE</p>	<p>The Bank has one shareholder; therefore no necessity has occurred to use terminal equipment of telecommunications at the general shareholders' meetings.</p>

**Principle VII: The avoidance of conflicts of interest and their disclosure**

**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.**

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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><b>Principle VIII: Company's remuneration policy</b></p> <p><b>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.</b></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>

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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"> <li>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>• An explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>• An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>• Sufficient information on deferment periods with regard to variable components of remuneration;</li> <li>• Sufficient information on the linkage between the remuneration and performance;</li> <li>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>• Sufficient information on the policy regarding termination payments;</li> <li>• Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</li> <li>• Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</li> <li>• 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;</li> <li>• A description of the main characteristics of supplementary pension or early retirement schemes for directors;</li> <li>• Remuneration statement should not include commercially sensitive information.</li> </ul>	<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>

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015

(All amounts in EUR thousands unless otherwise stated)

<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"> <li>• 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;</li> <li>• The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <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"> <li>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>• 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;</li> <li>• 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;</li> <li>• All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul>	<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"> <li>- total amount of fixed and variable pay and the number of beneficiaries;</li> <li>- amount of variable pay split into benefits in cash, pension premiums, equities, equity-linked financial instruments, other financial and non-financial instruments;</li> <li>- amounts of non-disbursed deferred variable pay distributed into portions, allocated and non-allocated for employees;</li> <li>- amounts of disbursed and adjusted variable pay allocated in the specified financial year taking into consideration performance results;</li> <li>- 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;</li> <li>- allocation of redundancy payments in case of agreement termination per financial year, the number of beneficiaries and maximum amount per person;</li> </ul>

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>• 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.</li> </ul> <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>	<p>YES</p>	
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	<p>YES</p>	<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>	<p>YES/ NO</p>	<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>	<p>NO</p>	<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>	<p>YES</p>	<p>Payments related to termination of the employment contract are established according to the existing acts of law.</p>

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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 2015.</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>

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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"> <li>• Grant of share-based schemes, including share options, to directors;</li> <li>• Determination of maximum number of shares and main conditions of share granting;</li> <li>• The term within which options can be exercised;</li> <li>• The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>• 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.</li> </ul>	<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>

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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><b>Principle IX: The role of stakeholders in corporate governance</b></p> <p><b>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.</b></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><b>Principle X: Information disclosure and transparency</b></p> <p><b>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.</b></p>		
<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> <li>• The financial and operating results of the company;</li> <li>• Company objectives;</li> <li>• Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>• Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>• Material foreseeable risk factors;</li> <li>• Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations;</li> <li>• Material issues regarding employees and other stakeholders;</li> <li>• Governance structures and strategy.</li> </ul> <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>

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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><b>Principle XI: The selection of the company's auditor</b></p> <p><b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b></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>	

**APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

(All amounts in EUR thousands unless otherwise stated)

<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>