



**AB SEB bankas
Independent auditor's report
Annual report and Financial statements
for the year ended 31 December 2016**

13 March 2017

TABLE OF CONTENTS

	PAGES
INDEPENDENT AUDITOR'S REPORT	3 - 8
CONSOLIDATED ANNUAL REPORT	9-26
FINANCIAL STATEMENTS	
INCOME STATEMENT	27
STATEMENT OF COMPREHENSIVE INCOME	28
STATEMENT OF FINANCIAL POSITION	29
STATEMENT OF CHANGES IN EQUITY	30-31
STATEMENT OF CASH FLOWS	32-33
NOTES TO THE FINANCIAL STATEMENTS	34-109
APPENDIX 1	110-136

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 SEB Bankas AB

Our opinion

In our opinion, the stand-alone and consolidated financial statements present fairly, in all material respects, the stand-alone and consolidated financial position of SEB Bankas AB ("the Bank") and its subsidiaries (together "the Group") as at 31 December 2016, and their stand-alone and consolidated financial performance and their stand-alone and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The stand-alone and consolidated financial statements comprise:

- the stand-alone and consolidated statements of financial position as at 31 December 2016;
- the stand-alone and consolidated statements of income and comprehensive income for the year then ended;
- the stand-alone and consolidated statement of changes in equity for the year then ended;
- the stand-alone and consolidated statement of cash flows for the year then ended; and
- the notes to the stand-alone and consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

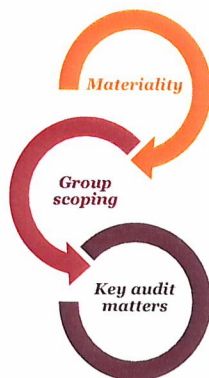
Independence

We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law on Audit of the Republic of Lithuania that are relevant to our audit of the stand-alone and consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law on Audit of the Republic of Lithuania.



Our audit approach

Overview



- Overall Bank and Group materiality: € 3,600 thousand.
- We conducted audit work at three reporting units, all of them are in Lithuania.
- Our audit scope covered approximately 96% of the Group’s revenues and 99% of the Group’s total assets.
- Impairment of loans and receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the stand-alone and consolidated financial statements (together “the financial statements”). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank and Group materiality for the stand-alone and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Bank and Group materiality	€ 3,600 thousand. The same materiality was applied to both the Bank and the Group.
How we determined it	5% of profit before tax adjusted for one-off realised gain from the disposal of Visa Europe Limited financial instrument and release of provision for uncertain tax positions. These one-off adjustments impacted both the Bank’s and the Group’s profit before tax.



Rationale for the materiality benchmark applied

We chose profit before tax as the base benchmark because, in our view, it is the benchmark against which the performance of the Bank and the Group is most commonly measured by users, and it is a generally accepted benchmark. We then adjusted this for two significant one-off items which are of a non-recurring nature. We chose 5%, which is within the range of acceptable quantitative materiality thresholds for this benchmark.

We agreed with the Audit Committee that we would report to them the misstatements identified during our audit that were above € 270 thousand, as well as the misstatements that were below this amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Impairment of loans and receivables</i></p> <p><i>Refer to Notes 3, 6 and 21-22 to the financial statements on pages 45, 52-54, 67-68 and 77-84 respectively.</i></p> <p>We focused on this area because the management make complex and subjective judgements over both the timing of recognition and the estimation of impairment.</p> <p>For non-retail loans and receivables, a significant proportion of the total impairment is calculated on an individual basis and the rest is estimated collectively.</p> <p>For retail loans and receivables, all impairment is calculated on a modelled basis for portfolios of homogenous loans.</p> <p>The most significant judgments made by the management in respect of impairment of loans and receivables and thus where we focused our audit efforts, relate to:</p> <ul style="list-style-type: none">- Completeness and timely identification of non-retail watch list loans that are assigned to risk classes 13 – 15 (assessed collectively) and individually impaired loans included in risk class 16;	<p>We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. Where impairment was calculated for non-retail exposures, the controls included those over a timely identification of watch list or impaired loans and receivables, a timely review and update of collateral values, the correctness of calculation of potential loss amounts, the accuracy of calculation of impairment amount, and the approval of annual back-testing reports.</p> <p>Where impairment was calculated for retail homogenous group exposures, we tested controls over the validation of key parameters used in impairment models and the annual review of back-testing results.</p> <p>We determined that we could rely on these controls for the purpose of our audit.</p> <p>We examined a sample of non-retail loans and receivables to assess if they were assigned to the correct risk class (watch list or impaired). For a sample of individually impaired non-retail loans, we verified the correctness of information on collaterals and the appropriateness of their values used in the impairment calculation. We also</p>



<ul style="list-style-type: none">- Estimate of future cash flows from loans and receivables, including realizable values of collaterals;- Key assumptions used and judgements made in the calculation of a modelled impairment for retail loans and receivables, which include loss given default, probability of default, loss emerging period.	<p>checked (on a sample basis) if the impairment amount was correctly calculated in applying these estimates and assumptions.</p> <p>We performed a detail testing on a sample of retail loans to verify if data (exposure, assignment to correct risk class, probability of default and loss given default) used in the impairment model was accurate. We also verified if key parameters used in the homogeneous loan impairment model were appropriate considering the latest back-testing results. We also tested whether reliable data was used in the back-testing reports by independently recalculating the largest homogenous group.</p> <p>We found no material exceptions to these tests.</p>
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How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the geographical and management structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

For the Bank's subsidiaries in Lithuania, we engaged component auditors to carry out audit work on the selected balances and transactions, which were assessed by the Group engagement team as material from the Group audit perspective. Our full-scope component auditor's work addressed approximately 96% of the Group's revenues and 99% of the Group's total assets.

Other information

Management is responsible for the other information. The other information comprises the consolidated annual report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.



In preparing the financial statements, management is responsible for assessing the Bank's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor on the audit resulting in this independent auditor's report is Rasa Selevičienė.

On behalf of PricewaterhouseCoopers UAB

A large, stylized signature in blue ink, written over a circular stamp, representing Rimvydas Jogėla.

Rimvydas Jogėla
General Manager

Vilnius, Republic of Lithuania
13 March 2017

A signature in blue ink, representing Rasa Selevičienė.

Rasa Selevičienė
Auditor's Certificate No.000504

THE YEAR 2016 CONSOLIDATED ANNUAL REPORT

(all amounts in EUR thousand, unless indicated otherwise)

CONSOLIDATED ANNUAL REPORT OF AB SEB BANKAS FOR THE YEAR 2016

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 2016. All numbers presented are as of 31 December 2016 or for the year then ended, unless specified otherwise. As of 1st 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.

Issuer's name	AB SEB bankas
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".

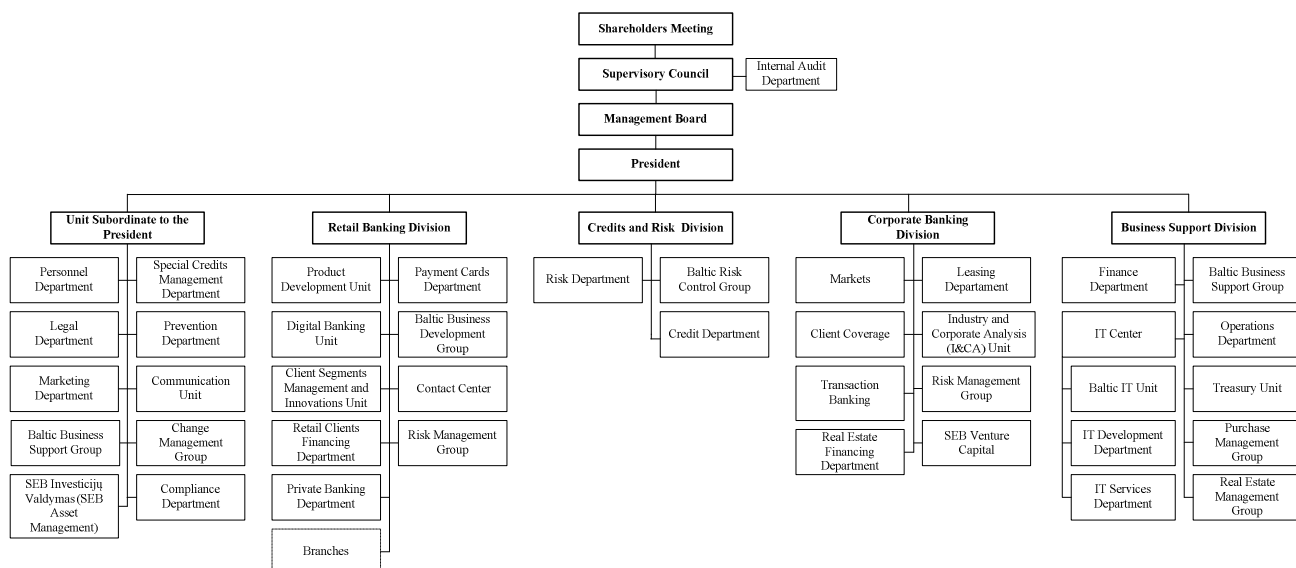
Name	UAB "SEB Venture Capital"
Type of core activities	Own asset investment into other companies' equity and asset management on trust basis
Legal form	Private limited company
Registration date and place	16 October 1997, Vilnius
Company code	124186219
Domicile address	Gedimino ave. 12, LT-01103 Vilnius
Office address	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

Name	UAB "SEB investicijų valdymas"
Type of core activities	Various investment management services, consultancy services
Legal / organisational form	Private limited company
Registration date and place	3 May 2000, Vilnius
Company code	125277981
Domicile address	Gedimino ave. 12, LT-01103 Vilnius
Office address	J. Balčikonio ave. 3, LT-08247 Vilnius
Telephone	(8 5) 2681 528
Fax	(8 5) 2681 575
E-mail address	info@seb.lt
Website address	www.seb.lt

THE YEAR 2016 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 2016, AB SEB bankas had 16 agreements with AB Šiaulių bankas (legal entity code 112025254, address Tilžės str. 149, LT-76348 Šiauliai).

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 2016, two 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	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 2016, the Bank had 3 branches: AB SEB bankas Eastern Region Branch (address: Europos sq. 1 A, LT-09308 Vilnius), AB SEB bankas Middle Region Branch (address: Laisvės ave. 82/ Maironio str. 17, LT-44250 Kaunas), and AB SEB bankas Western Region Branch (address: Taikos ave. 32, LT-91246 Klaipėda).

The branches consisted of a network of 34 customer service units (5 head branches and 29 sub-branches) all over Lithuania.

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

In 2016, AB SEB bankas Group in Lithuania offered a full range of banking services to private individual and corporate customers as well as financial institutions.

AB SEB bankas Group in Lithuania consisted of AB SEB bankas and two companies – UAB “SEB investicijų valdymas” and UAB “SEB Venture Capital”. Also, there are other SEB Group companies operating in Lithuania, namely: life insurance company UAB “SEB gyvybės draudimas”, real estate management company UAB “Litectus”, Group’s shared service centre in Vilnius (Skandinaviska Enskilda Banken AB, Vilniaus filialas), which provides business support services (carries out transactions, provides IT, human resources administration and accounting services) to the SEB Group – its subsidiary companies and subdivisions in twenty countries worldwide.

In 2016, AB SEB bankas Group’s assets grew, its operational efficiency improved, there was growth in income and profit as well as in credit and deposit portfolio, there was a rise in the number of SEB home bank customers and an increase in their pro-activeness.

In 2016, audited net profit earned by AB SEB bankas was EUR 94.5 million, and that earned by AB SEB bankas Group was EUR 93.1 million. 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. Excluding one-off deals, the year 2016 audited net profit of AB SEB bankas was EUR 68.3 million, and that of AB SEB bankas Group was EUR 67.0 million.

As at 31 December 2016, AB SEB bankas Group’s equity was EUR 796 million (as at 31 December 2015, it was EUR 804 million), i. e. decreased by 1 per cent.

As at 31 December 2016, AB SEB bankas Group’s assets were worth EUR 7.5 billion (as at 31 December 2015, they were worth EUR 6.9 billion), i. e. increased by 10 per cent.

In 2016, AB SEB bankas and AB SEB bankas Group liquidity requirements were met.

In the year 2016, AB SEB bankas Group’s income was EUR 181.5 million (in 2015, it was EUR 151.7 million). Excluding one-off income in the first half-year of 2016 (as a result of sales of Visa Europe Limited shares), the Bank Group’s income was EUR 160.1 million, i. e. increase by 6 per cent as compared to the year 2015.

As of 31 December 2016, net worth of AB SEB bankas Group’s loans and leasing portfolio was EUR 5.3 billion (as of 31 December 2015, it was EUR 4.9 billion), i. e. increased by 9 per cent. In 2016, the amount of loans issued by AB SEB bankas to small and medium enterprises was EUR 465 million, i.e. increased by 16 per cent as compared to 2015, that to large corporate customers – EUR 988 million, i. e. increased by 4 per cent as compared to 2015. In 2016, companies that were more pro-active in implementing development and innovation projects were those representing transport, wholesale trade, food industry, energy a real estate sectors. The amount of mortgage loans issued to private individual customers was EUR 348 million, i.e. increased by 25 per cent as compared to the year 2015, and credit quality remained good.

As at 31 December 2016, the Bank’s deposit portfolio (including funds of financial institutions), regardless low interest rate environment, was EUR 5.2 billion (as at 31 December 2015, it was EUR 4.8 billion), i. e. increased by 8 per cent.

Customer behaviour was changing and competition in digital banking market was increasing, therefore, the Bank remained highly focused on the development of remote services and self-services as well as on digital solutions. Private individuals were provided with a possibility to obtain a consumer loan online and within a few minutes get an answer regarding car leasing.

People prefer to have access to daily banking services by remote means without having to visit a bank branch, i.e. via the Internet or by phone. 99.5 per cent of cash transactions are executed by the Bank customers on their own, however, whenever they need financial advice they turn to professionals at the Bank. Therefore, nearly 40 per cent of AB SEB bankas’ sub-branch network have self-service areas, and Bank employees devote their time for providing financial advice to customers. At the close of December 2016, the Bank had 34 customer service units all over Lithuania, of which number – 13 financial advice units, which do not execute any cash transactions.

At the close of 2016, the number of registered users of SEB Internet Bank in Lithuania was 1.24 million, i. e. increased by 41 thousand or by 3 per cent year-on-year. At the close of December 2016, an increase in the number of SEB Internet Bank users logging in to the Internet bank via mobile devices was 28 per cent as compared to December 2015).

According to the data of 2016, there was an increase in the share of payments by card by AB SEB bankas in Lithuania customers, as compared to payments in cash. In 2016, relevant ratio was 39 per cent, and in 2015 it was 35 per cent.

AB SEB bankas customers have access to an ATM network that is the largest one in Lithuania, combining SEB and DNB ATMs: as at 31 December 2016, the ATM network included 531 ATMs. Also, when paying by card at shops customers may withdraw cash free of charge – at the close of 2016, the number of such shops was about 1400 all over Lithuania.

To ensure as high as possible ATM security, AB SEB bankas continued investing in the modernisation of the ATM network launching up-to-date security systems, for instance, ink cartridges that in case of an attempted break-in will spray all the cash contained in an ATM.

THE YEAR 2016 CONSOLIDATED ANNUAL REPORT

(all amounts in EUR thousand, unless indicated otherwise)

In 2016, AB SEB bankas Group continued implementing SEB's corporate sustainability strategy, which sets eight corporate sustainability priorities within three main areas of responsibility (responsible business, environment, people and community): responsible selling and marketing, tackling financial crime, responsible ownership, reducing our footprint, sustainable finance and investing, access to financial services, a great place to work and investing in communities.

In 2016, AB SEB bankas Group launched new and improved its existing services and had special focus on being advisory to private individual and corporate customers.

In 2016, AB SEB bankas presented the Retirement Readiness Index and Car Affordability Index. Also, the Bank devoted more attention to young people aiming 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., inviting senior grade schoolchildren to interactive discussions on personal financial issues, the Bank employees visited Lithuanian schools and had discussions with pupils on personal finance planning.

AB SEB bankas took active actions aimed at encouraging people to think about their future pension and about the importance of saving for retirement. Using a special playful pension forecast tool designed by UAB "SEB gyvybės draudimas" and UAB "SEB investicijų valdymas" people can see their forecasted future pension.

AB SEB bankas continuously revises and simplifies its financial service agreements. Since 2016, the Bank customers obtaining a consumer loan now execute a mere 1 page agreement instead of the previous 12-page agreement, and private leasing customers – a mere two-page agreement instead of the former 25-page agreement.

In 2016, the Bank continued implementing its advisory programme for private individual customers, giving more focus on raising their awareness about financing for consumption needs. In 2016, AB SEB bankas' private individual customers advisory programme won top award in the integrated communication campaign category (PaRa/Impact Awards 2016).

AB SEB bankas further maintained its strong focus on being advisory to businesses by providing advice to new businesses and to those that develop their activities. For small and medium-sized enterprises, the Bank arranged its third "Innovations Lab" event, during which companies were looking for answers on how innovations could help them grow, also they could try special innovations application methodologies.

In 2016, the Bank carried out and presented data of its survey "Baltic Business Outlook 2016" of Baltic small and medium enterprises, its results revealing expectations of Lithuanian, Latvia and Estonian companies, their planned investments and envisaged changes in the number of their staff. In 2016, the Bank invited its corporate customers to its "Baltic Business Summit 2016" event, also, presented its fourth 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 key challenges.

In 2016, 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 continued implementing 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 on financial markets, macroeconomic situation, etc. At its website www.seb.lt, AB SEB bankas launched and developed a column "Infobankas", periodically providing relevant information on finance management issues. In 2016, the 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 social and corporate sustainability projects – for the fourteenth time together TV3 television it arranged and carried out the 2016 "Dreams Come True" Campaign, for the eleventh 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 2016 won significant global and national awards: AB 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 FX Bank in Lithuania (Global Finance), the Best Private Bank in the Baltics (The Banker) and won the award for the Best Private Banking Services in Lithuania (Euromoney). SEB Investment Management AB, a company that manages SEB investment funds offered in Lithuania, was ranked the best asset management company in Sweden (Fondmarknaden.se), and SEB investment funds were recognised to be the best ones in Sweden (Morningstar). SEB investment funds offered in Lithuania were ranked the best ones in Europe (Euro).

In 2016, AB SEB bankas became one of the most attractive employers in Lithuania – according to a survey carried out by daily Verslo Žinios and vacancy-notice portal cv.lt in "The Most Attractive Employer" election it was ranked number two within large corporates category. In a survey "The Most Desirable Employer 2016" carried out by job search portal CV Market, respondents recognised AB SEB bankas to be the most desirable employer in Lithuania. In 2016, AB SEB bankas was the national finalist in the European Business Awards considering its sustainability activities.

THE YEAR 2016 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 2016 to the year 2015:

EUR million	2016	2015	Change
Income	182	152	20%
Costs	(82)	(78)	5%
Result before losses	100	74	35%
Credit losses	(1)	(5)	-84%
Operating result	99	69	44%
Profit tax	(6)	(10)	-42%
Net profit	93	59	58%

Income increase during the year 2016 was related to: a) sale of VISA Europe Ltd share, b) increasing lending volumes with the stable margin, c) net commission income reflecting increased customers' activity.

The main financial ratios:

	2016	2015	Change
Net profit (EUR million)	93	59	58%
Cost / Income ratio	0.45	0.51	-6 b.p.
New loans (EUR billion)	1,9	1,6	10%
Loans & leasing, net value (EUR billion)	5.3	4.9	9%
Deposits (EUR billion)	5.2	4.8	8%

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		
31-12-2014	31-12-2015	31-12-2016		31-12-2014	31-12-2015	31-12-2016
1.07 per cent	0.89 per cent	1.31 per cent	Return on Assets	0.96 per cent	0.94 per cent	1.32 per cent
9.41 per cent	7.55 per cent	12.12 per cent	Return on Equity	8.52 per cent	8.02 per cent	12.34 per cent
4.69	3.81	6.03	Earnings per share, EUR	4.23	4.02	6.12
51.60	52.09	51.55	Book value per share, EUR	51.12	51.82	51.37

9. Major events since the end of financial year

On **1 February 2017**, the Bank announced that according to preliminary data, unaudited net profit earned over the year 2016 by AB SEB bankas is EUR 94,5 million and by AB SEB bankas Group – EUR 93,1 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 2015, audited net profit earned by AB SEB bankas totalled EUR 62,1 million and by AB SEB bankas Group – EUR 58,8 million.

On **15 February 2017**, the Bank announced that Aivaras Čičelis, Member of the Management Board of the Bank and the Head of Corporate Banking Division of the Bank was appointed as the Head of Business Support Division and Chief Financial Officer of the Bank. Aivaras Čičelis, who will continue as the Member of the Management Board of the Bank, shall start new position from the 20th of February 2017. The bank will elect new Board Member who will be responsible for the activities of Corporate Banking Division.

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. The Bank's 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 2016 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 2016 are as follows:

EUR million	2016
Intangible assets	1.6
Vehicles	0.5
Computers	2.2
Other tangible assets	0.1
Reconstruction of leased assets	0.5
Total	4.9

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 2016 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 2016 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 2016). The Corporate Governance Code and other information on the practice of the governance of AB SEB bankas is announced at the Bank's website www.seb.lt and at the central database of regulated information of the market operator ("NASDAQ 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 and other types of 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 2016 financial reporting. Over the reporting period there were no substantial changes in risk management.

During the year 2016, AB SEB bankas Group was compliant with all the requirements set by supervisory institutions:

31-12-2014	The Group		Ratio	The Bank		
	31-12-2015	31-12-2016		31-12-2014	31-12-2015	31-12-2016
32.95 percent*	Compliant**	200.06 percent	Liquidity ratio (at least 30%)* / Liquidity coverage ratio	32.89 percent*	compliant**	199.76 percent
20.47 percent	22.57 percent	19.49 percent	Capital adequacy ratio	20.35 percent	22.43 percent	19.43 percent
1.09 percent	0.81 percent	0.92 percent	Maximum open single currency position	1.09 percent	0.81 percent.	0.92 percent
1.11 percent	0.81 percent	0.92 percent	Maximum aggregate open currency position	1.12 percent	0.82 percent	0.92 percent
21.87 percent	18.62 percent	22.31 percent	Maximum loans per single borrower ⁱ ≤ 25 percent of the capital	21.95 percent	18.69 percent	22.38 percent

*- the ratio was valid till 31 December 2014.

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

Bank is influenced by the world events and the global economy. Our environment has never changed so rapidly. Current social economical and political environment affecting the Bank:

THE YEAR 2016 CONSOLIDATED ANNUAL REPORT

(all amounts in EUR thousand, unless indicated otherwise)

- Bigger attention and strict supervisory approach introducing banking regulations
- Business investment process is still affected by high external political uncertainties
- Negative public sentiment towards banking sector after pricing changes in 2015, trust in banks slightly decrease
- New legislative initiatives: Payment account directive; cards interchange fee, mortgage lending directive, MIFID 2
- Parliamentary elections in 2016 increase tension and populism risk
- Negative interest risk change banking environment
- Improving expectations of households are favourable to long-term borrowing and saving plans

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
In total	-	15,441,423	-	299,563,606.20	100.00

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, 2016 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

As of 31 December 2016 neither Bank nor the Group had significant directly or indirectly held blocks of shares.

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 2016 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 2016 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 2016)

RIHO UNT

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 12 May 2016. On 7 July 2016 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.

STEFAN STIGNÄS

Skandinaviska Enskilda Banken AB (publ) Head of Corporate Market Corporate and Private Customer. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.

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

TED TONY KYLBERG

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.

THE YEAR 2016 CONSOLIDATED ANNUAL REPORT

(all amounts in EUR thousand, unless indicated otherwise)

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 2016)

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.

VAIDAS ŽAGŪNIS

Vice President and Head of Retail Banking Division of AB SEB bankas. Elected to the Management Board as its member on 21 December 2016 (the decision to elect him as a Board member has been taken on 22 September 2016). 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 2020 (on 8 February 2016, 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 2016 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
In total to all members of the Management Board (EUR '000) before taxes, of which:	1,098	-	-
amounts based on a labour contract (EUR'000)	842	-	-
employer's social security contributions (EUR'000)	256	-	-
Other disbursements, including the employer's social security contributions (EUR'000)**:	19	-	-
Per member of the Management Board on average (EUR'000) before taxes: *	220	-	-
amounts based on a labour contract (EUR'000)	169	-	-
employer's social security contributions (EUR'000)	51	-	-
During the year 2016 calculated amounts to the Company's Chief Executive Officer and Chief Financial Officer (EUR'000) before taxes:	367		

* The Management Board consists of 5 members.

AUDIT AND COMPLIANCE COMMITTEE (31 December 2016)

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.

JOHAN ÅKERBLOM

Chairman of the Committee. CFO Baltic Division. No shares of the Bank held.

GÖRAN RASPE

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

BEN WILSON

Former employee of Skandinaviska Enskilda Banken AB (publ). 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 IT, Business Support. No shares of the Bank held.

RISK COMMITTEE (31 December 2016)

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. No shares of the Bank held by the Risk committee members.

ERKKA KRISTIAN NÄSÄKKÄLÄ

Chairman of the Committee. Skandinaviska Enskilda Banken AB (publ) Head of the Group Risk Management.

RIHO UNT

Skandinaviska Enskilda Banken AB (publ) Head of Baltic Division.

THE YEAR 2016 CONSOLIDATED ANNUAL REPORT

(all amounts in EUR thousand, unless indicated otherwise)

STEFAN STIGNĀS

Skandinaviska Enskilda Banken AB (publ) Head of Corporate Market Corporate and Private Customer.

REMUNERATION COMMITTEE (31 December 2016)

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

24. Employees

As of 31 December 2016, the AB SEB bankas Group in Lithuania (AB SEB bankas, UAB "SEB investicijų valdymas and UAB "SEB Venture Capital") had 1,588 employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave), i.e. by 3.6 per cent less compared to the end of 2015, when the Group had 1,648 employees. As of 31 December 2016, the number of actually working employees (excluding those on maternity/paternity leave) was 1,400, i.e. 5.6 per cent less than at the end of 2015, when the actual number of the Group's employees was 1,483.

During the year 2016 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 3.7 per cent – from 1,638 to 1,578, and the number of the Bank's actually employed employees (excluding those on maternity/paternity leave) was 1,389, i.e. 5.7 per cent less than at the end of 2015, when their number was 1,473.

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.

In the year 2016, the average actual number of the Bank's employees (excluding the number of employees on maternity/paternity leave) was 1,440 employees (in 2015, it was 1,508 employees).

	The Bank			The Group		
	31-12-2014	31-12-2015	31-12-2016	31-12-2014	31-12-2015	31-12-2015
Regular employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave)	1,785	1,638	1,578	1,795	1,648	1,588
Actually number of employees (excluding those on maternity/paternity leave)	1,612	1,473	1,389	1,622	1,483	1,400

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.

The wage bill of the managerial staff decreased by 12 per cent year-on-year, however, as a result of a decrease in the number of the managerial staff there was an increase in the average monthly remuneration of said staff: average monthly wages of the managerial staff increased by 6.5 per cent year-on-year as a result of a 17 per cent drop in the number of the Bank's managerial staff (from 183 down to 152).

The wage bill of specialist staff remained unchanged year-on-year, however, as a result of a decrease in the number the specialist staff there was an increase in the average monthly remuneration of said staff: average monthly wages of the specialist staff increased by 4.5 per cent year-on-year as a result of a 4 per cent drop in the number of the said staff (from 1,290 down to 1,237).

	Number of employees			Average monthly wages (in EUR)		
	31-12-2014	31-12-2015	31-12-2016	31-12-2014	31-12-2015	31-12-2016
Senior management staff	192	183	152	3,310	3,407	3,630
Specialists	1,420	1,290	1,237	1,120	1,220	1,275
In total	1,612	1,473	1,389	-	-	-

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.

THE YEAR 2016 CONSOLIDATED ANNUAL REPORT

(all amounts in EUR thousand, unless indicated otherwise)

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

On 25 January 2016, 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 27 January 2014. 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 or his delegated representatives of other units. 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 22 February 2016. 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 2016 CONSOLIDATED ANNUAL REPORT

(all amounts in EUR thousand, unless indicated otherwise)

REMUNERATION COMMITTEE (31 December 2016)

The remuneration committee provides assistance to the supervisory council regarding remuneration, leadership, business continuity and other issues related to the staff as well as proposes candidates to the vacant Bank's bodies and recommends to discuss them in the respective Bank's bodies. Remuneration committee also performs other functions provided for by the remuneration committee regulations and relevant legal acts.

Candidates to members of the remuneration committee are approved by the supervisory council of the Bank. Persons related to the Bank or its subsidiary companies by labour relations as well as members of the Bank's management board may not be elected chairman or members of the remuneration committee.

None of the members of the remuneration committee has shares in the Bank

KNUT JONAS MARTIN JOHANSSON

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

RIHO UNT

Skandinaviska Enskilda Banken AB (publ) Head of Baltic Division.

TED TONY KYLBERG

Skandinaviska Enskilda Banken AB (publ) Head of Procurement and Vendor Management of SEB Business Support Division.

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".

• **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.

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 YEAR 2016 CONSOLIDATED ANNUAL REPORT

(all amounts in EUR thousand, unless indicated otherwise)

- **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.

- **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.

THE YEAR 2016 CONSOLIDATED ANNUAL REPORT

(all amounts in EUR thousand, unless indicated otherwise)

- **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 2016 according to the data as of 31 December 2016

The Group companies	Base remuneration (EUR '000)	Variable remuneration (EUR '000)	Number of employees
AB SEB bankas	25,374	3,683	1,389
UAB "SEB investicijų valdymas"	240	35	10
UAB "SEB Venture Capital"	34	6	1
In total	25,648	3,724	1,400

* Variable salary planned for the year 2016 based on an individual programme is provided

Business area	Base remuneration (EUR '000)	Variable remuneration (EUR '000)	Number of employees
Retail banking	12,093	1,674	842
Merchant banking	3,355	476	137
Asset management	240	35	10
Other	9,960	1,539	411
In total	25,648	3,724	1,400

* Variable salary planned for the year 2016 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	753	312	5
Risk-takers of the Group, excluding members of the management board	1,801	331	28
Employees	22,820	3,040	1,356
In total	25,374	3,683	1,389

The Group	Base remuneration (EUR '000)	Variable remuneration (EUR '000)	Number of individuals thus remunerated
The management board	851	328	7
The Group's risk-takers, excluding members of the management board	1,879	345	31
Employees	22,918	3,051	1,362
In total	25,648	3,724	1,400

* Variable salary planned for the year 2016 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	13	0	0	299
The Group's risk-takers, excluding members of the management board	76	0	0	255
Employees	1,523	0	0	1,517
In total	1,612	0	0	2,071

THE YEAR 2016 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	19	0	0	309
The Group's risk-takers, excluding members of the management board	81	0	0	264
Employees	1,528	0	0	1,523
In total	1,628	0	0	2,096

- variable remuneration portion that is not subject to deferral payments in 2016:

Variable remuneration that is not subject to deferral paid in cash	The Bank (EUR '000)	The Group (EUR '000)
The management board	12	18
The Group's risk-takers, excluding members of the management board	72	77
Employees	1,523	1,528
In total	1,607	1,623

- amounts of the outstanding deferred remuneration for 2016 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	164	0	164
The Group's risk-takers, excluding members of the management board	233	0	233
Employees	1,517	0	1,517
In total	1,914	0	1,914

The Group	Deferred variable remuneration (EUR '000)	Allocated deferred variable remuneration (EUR '000)	Non-allocated deferred variable remuneration (EUR '000)
The management board	173	0	173
The Group's risk-takers, excluding members of the management board	240	0	240
Employees	1,523	0	1,523
In total	1,936	0	1,936

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

In 2016 the Bank and the Group paid variable remuneration granted in 2011 - 2015

The Bank	Deferred paid in cash variable remuneration in 2011 – 2015 (EUR '000)	Equity-linked financial instruments (EUR '000)
The management board	1	135
The Group's risk-takers, excluding members of the management board	4	22
Employees	0	0
In total	5	157

THE YEAR 2016 CONSOLIDATED ANNUAL REPORT

(all amounts in EUR thousand, unless indicated otherwise)

The Group	Deferred paid in cash variable remuneration in 2011 - 2015 (EUR '000)	Equity-linked financial instruments (EUR '000)
The management board	1	136
The Group's risk-takers, excluding members of the management board	4	24
Employees	0	0
In total	5	160

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

In 2016, there were no such amounts in the Bank and the Group.

- 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)*
The Bank	111	1,356	146
The Group	111	1,356	146

* In the table above are presented gross amounts.

• **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

Aivaras Čičelis

Director of Finance Department of AB SEB bankas

Saulius Salda

Vilnius,
13 March 2017

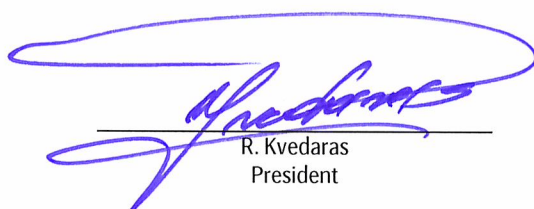
**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

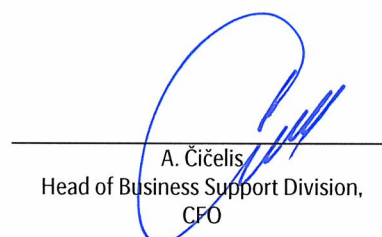
(All amounts in EUR thousand unless otherwise stated)

The Group			The Bank	
2016	2015		2016	2015
116,872	119,695	Interest income	116,894	119,666
(30,126)	(40,297)	Interest expenses	(30,113)	(40,297)
86,746	79,398	Net interest income	86,781	79,369
7,939	(6,142)	Impairment (losses)/reversals	7,939	(6,142)
(3,867)	1,558	Impairment (losses)/reversals on lease portfolio	(3,867)	1,558
(4,846)	(336)	Provisions for guarantees and other off	(4,846)	(336)
(17)	(3)	balance sheet items	(17)	(3)
(791)	(4,923)	Total impairment (losses)	(791)	(4,923)
85,955	74,475	Net interest income after impairment losses	85,990	74,446
77,867	76,193	Fee and commission income	73,482	72,530
(22,405)	(24,850)	Fee and commission expenses	(21,629)	(23,899)
55,462	51,343	Net fee and commission income	51,853	48,631
2,265	2,393	Net gains on operations with debt securities	2,265	2,393
22,078	1,985	and derivative financial instruments	21,449	1
-	-	Net gain on equity securities	3,893	6,855
11,885	15,336	Dividend income from subsidiaries	11,885	15,247
3,104	1,263	Net foreign exchange gain	3,313	1,453
39,332	20,977	Net investment activities	42,805	25,949
(41,992)	(40,854)	Staff costs	(41,589)	(40,475)
(39,802)	(37,098)	Other administrative expenses	(39,324)	(36,642)
98,955	68,843	Operating profit	99,735	71,909
98,955	68,843	Profit before income tax	99,735	71,909
(5,809)	(10,043)	Income tax expenses	(5,250)	(9,825)
93,146	58,800	Net profit for the year	94,485	62,084
93,146	58,800	Attributable to:	94,485	62,084
-	-	Owners of the Bank	-	-
		Non controlling interest		

The accompanying notes on pages 34 to 109 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 13 March 2017 and signed by:


R. Kvedaras
President


A. Čičelis
Head of Business Support Division,
CFO

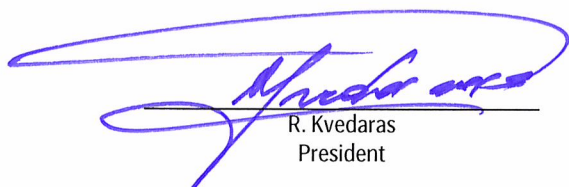
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

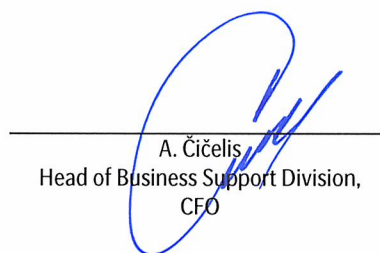
(All amounts in EUR thousand unless otherwise stated)

The Group			The Bank	
2016	2015	Note	2016	2015
93,146	58,800		94,485	62,084
(15,851)	16,028	33	(15,851)	16,026
19	58	33	19	58
2,375	(2,412)	13	2,375	(2,412)
-	-		-	-
(13,457)	13,674		(13,457)	13,672
79,689	72,474		81,028	75,756
79,689	72,474		81,028	75,756
-	-		-	-

The accompanying notes on pages 34 to 109 are an integral part of these financial statements.

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R. Kvedaras
President


A. Čičelis
Head of Business Support Division,
CFO

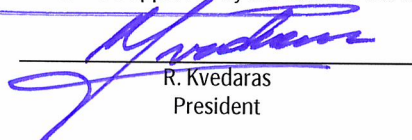
**STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2016**

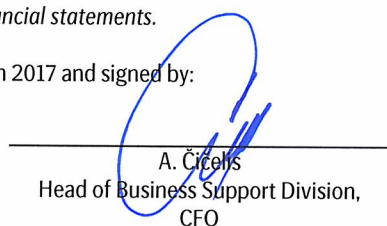
(All amounts in EUR thousand unless otherwise stated)

The Group			The Bank	
2016	2015	Note	2016	2015
Assets				
117,812	133,256		117,812	133,256
61,501	947,896	15	61,501	947,896
1,391,552	253,185	16	1,391,552	253,185
16,663	17,263	17	16,486	17,173
365,270	356,486	18	361,528	352,696
124,735	109,623	19	124,735	109,623
7,550	12,236	20	7,550	12,236
4,864,006	4,480,493	6, 21	4,864,006	4,479,353
475,402	396,137	6, 22	475,453	396,196
-	53,985	23	-	53,985
3,268	15,924	23	3,268	15,924
-	-	24	10,111	10,111
6,641	8,881	25	6,641	8,881
7,615	7,020	26	7,520	6,904
189	298	40	189	298
3,205	4,111	27	3,205	4,111
24,927	28,571	13	24,787	28,390
47,603	39,620	28	47,740	37,797
7,517,939	6,864,985		7,524,084	6,868,015
Liabilities				
18	17		18	17
1,370,821	1,092,934	29	1,370,821	1,092,934
122,031	109,031	19	122,031	109,031
5,152,334	4,766,556	30	5,161,752	4,774,419
15,223	9,811	32	15,105	9,638
4,316	10,467		4,292	10,452
202	-	13	-	-
8,048	16,643	31	8,048	16,643
48,887	55,156	32	48,765	54,657
6,721,880	6,060,615		6,730,832	6,067,791
6,721,880	6,060,615		6,730,832	6,067,791
Equity				
Equity attributable to owners of the Bank				
299,564	299,564	33	299,564	299,564
637	637		637	637
36	13,493		34	13,491
139,535	121,280		138,868	120,737
3,504	3,176		3,504	3,176
352,783	366,220		350,645	362,619
796,059	804,370		793,252	800,224
-	-		-	-
796,059	804,370		793,252	800,224
7,517,939	6,864,985		7,524,084	6,868,015

The accompanying notes on pages 34 to 109 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 13 March 2017 and signed by:


R. Kvedaras
President

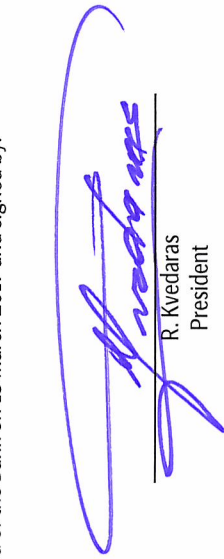

A. Čičelis
Head of Business Support Division,
CFO


**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**
(All amounts in EUR thousand unless otherwise stated)

The Group	Note	Equity attributable to owners of the Bank							Total Equity	
		Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total before noncontrolling interest		Non controlling interest
31 December 2014		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		-	-	13,616	-	-	-	13,616	-	13,616
Amortisation of financial assets revaluation reserve of reclassified financial assets		-	-	58	-	-	-	58	-	58
Net profit for the year		-	-	-	-	-	58,800	58,800	-	58,800
Total comprehensive income		-	-	13,674	-	-	58,800	72,474	-	72,474
Adjustment of share capital due to conversion to euro		(70)	-	-	-	-	-	(70)	-	(70)
Other movements		-	-	-	-	(446)	446	-	-	-
Share-based compensation		-	-	-	-	472	-	472	-	472
Transfers to reserves		-	-	-	19,233	-	(19,233)	-	-	-
Dividends to shareholders		-	-	-	-	-	(65,341)	(65,341)	-	(65,341)
31 December 2015		299,564	637	13,493	121,280	3,176	366,220	804,370	-	804,370
Net change in available for sale investments, net of deferred tax	33	-	-	(13,476)	-	-	-	(13,476)	-	(13,476)
Amortisation of financial assets revaluation reserve of reclassified financial assets	33	-	-	19	-	-	-	19	-	19
Net profit for the year		-	-	-	-	-	93,146	93,146	-	93,146
Total comprehensive income		-	-	(13,457)	-	-	93,146	79,689	-	79,689
Other movements		-	-	-	-	(472)	472	-	-	-
Dividends		-	-	-	-	-	(88,800)	(88,800)	-	(88,800)
Share-based compensation		-	-	-	-	800	-	800	-	800
Transfers to reserves		-	-	-	18,255	-	(18,255)	-	-	-
31 December 2016		299,564	637	36	139,535	3,504	352,783	796,059	-	796,059

The accompanying notes on pages 34 to 109 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 13 March 2017 and signed by:


R. Kvedaras
President

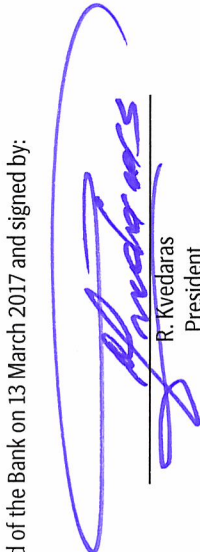

A. Čičelis
Head of Business Support Division,
CFO

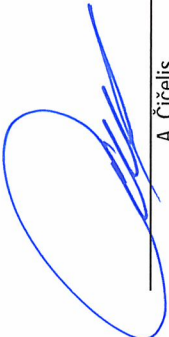
**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**
(All amounts in EUR thousand unless otherwise stated)

The Bank	Note	Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total Equity
31 December 2014		299,634	637	(181)	101,504	3,150	384,663	789,407
Change in fair value measurement of financial assets		-	-	-	-	-	-	-
Net change in available for sale investments, net of deferred tax		-	-	13,614	-	-	-	13,614
Amortisation of financial assets revaluation reserve of reclassified financial assets		-	-	58	-	-	-	58
Net profit for the year		-	-	-	-	-	62,084	62,084
Total comprehensive income		-	-	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 to shareholders		-	-	-	-	-	(65,341)	(65,341)
31 December 2015		299,564	637	13,491	120,737	3,176	362,619	800,224
Net change in available for sale investments, net of deferred tax	33	-	-	(13,476)	-	-	-	(13,476)
Amortisation of financial assets revaluation reserve of reclassified financial assets	33	-	-	19	-	-	-	19
Net profit for the year		-	-	-	-	-	94,485	94,485
Total comprehensive income		-	-	(13,457)	-	-	94,485	81,028
Other movements		-	-	-	-	(472)	472	-
Share-based compensation		-	-	-	-	800	-	800
Transfers to reserves		-	-	-	18,131	-	(18,131)	-
Dividends		-	-	-	-	-	(88,800)	(88,800)
31 December 2016		299,564	637	34	138,868	3,504	350,645	793,252

The accompanying notes on pages 34 to 109 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 13 March 2017 and signed by:


R. Kvedaravicius
President


A. Čičelis
Head of Business Support Division,
CFO

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

The Group			The Bank	
2016	2015		2016	2015
			Note	
		Cash from operating activities		
112,346	114,967	Interest income received	112,071	114,962
(32,386)	(42,612)	Interest expenses paid	(32,373)	(42,612)
10,549	12,683	Net foreign currency exchange gain	10,549	12,680
2,710	(2,467)	Net gain (loss) in securities trading and financial instruments	2,710	(2,467)
(2,112)	1,468	Net gain (loss) in derivatives trading	(2,112)	1,468
58,757	51,969	Net commission and service income	55,357	49,447
(39,880)	(39,318)	Staff costs	(39,497)	(38,948)
(28,371)	(31,496)	Other payments	(27,852)	(30,465)
81,613	65,194	Net cash from operating activities before change in operating assets and liabilities	78,853	64,065
		Changes in operating assets		
11,064	665,459	Decrease in compulsory balances with the Central Bank	11,064	665,458
163,174	(155,140)	Decrease (increase) in due from banks and loans to credit institutions	163,174	(155,140)
(376,017)	(194,955)	Increase in loans to customers	(376,859)	(184,169)
(82,113)	(2,277)	Increase of finance lease receivable	(82,105)	(2,270)
(162)	(14,333)	Increase in other current assets	(2,149)	(14,270)
(284,054)	298,754	Net change in operating assets	(286,875)	309,609
		Changes in operating liabilities		
386,089	298,952	Increase in deposits from public	387,644	299,800
(16,910)	6,426	(Decrease) increase in accrued expenses, deferred income and other liabilities	(16,966)	6,106
369,179	305,378	Net change in operating liabilities	370,678	305,906
166,738	669,326	Net cash from operating activities before income tax	162,656	679,580
(5,807)	(2,662)	Income tax paid	(5,465)	(2,662)
160,931	666,664	Net cash from operating activities after income tax	157,191	676,918

(Continued)

The accompanying notes on pages 34 to 109 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

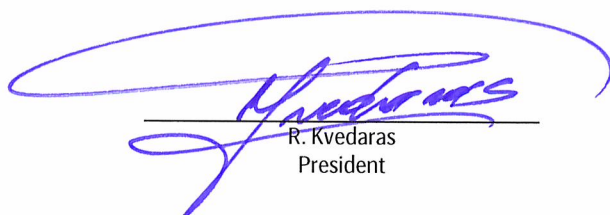
(All amounts in EUR thousand unless otherwise stated)

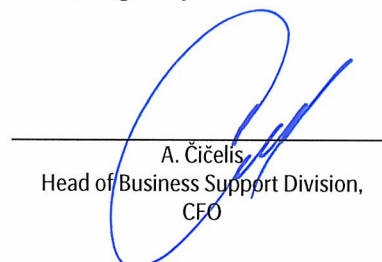
The Group			The Bank	
2016	2015	Note	2016	2015
Cash flow from investing activities				
(4,722)	(2,575)		(4,720)	(2,547)
(88)	-		-	-
729	827		728	728
-	-	8	3,893	6,855
(610,149)	(538,937)		(610,027)	(538,519)
676,887	561,498		676,523	544,042
62,657	20,813		66,397	10,559
Cash flow from (used in) financing activities				
(88,800)	(65,341)		(88,800)	(65,341)
1	-		1	-
280,047	(177,981)		280,047	(177,981)
(8,226)	(4,357)		(8,226)	(4,357)
(530)	(289)		(530)	(289)
182,492	(247,968)		182,492	(247,968)
406,080	439,509		406,080	439,509
1,106,063	666,554		1,106,063	666,554
1,512,143	1,106,063		1,512,143	1,106,063
Specified as follows:				
2,812	878,143		2,812	878,143
4,055	-	15	4,055	-
117,812	133,256	16	117,812	133,256
1,387,464	94,664	16	1,387,464	94,664
1,512,143	1,106,063		1,512,143	1,106,063

(Concluded)

The accompanying notes on pages 34 to 109 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 13 March 2017 and signed by:


R. Kvedaras
President


A. Čičelis
Head of Business Support Division,
CFO

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016 the Bank had 34 customer service branches (as of 31 December 2015 – 42).

As of 31 December 2016 AB SEB bankas had 2 subsidiaries (as of 31 December 2015 – 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 13 March 2017. 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 2016 that are applicable to the Bank and Group

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

a) *The following new or revised standards and interpretations effective in 2016 that are applicable to the Bank and Group (continued)*

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

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

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

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 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). Key features of the new standard are:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard includes a revised model for classification and measurement of financial instruments, a new impairment model based on expected loss and an amended approach for general hedge accounting. The standard is endorsed by the EU. SEB Group will not early adopt the standard. However, SEB Group is evaluating the option allowing the presentation of fair value movements of own credit risk from issued debt instruments designated at fair value in other comprehensive income prior to adopting IFRS 9 in full 2018.

Within SEB Group a centralized IFRS 9 Implementation Programme has been set up for implementation of IFRS 9. The new approach for classification and measurement of financial assets focuses on the business model with respect to how financial assets are managed and whether contractual cash flows represent only nominal amounts and interest. IFRS 9 requirements on the classification and measurement of financial liabilities remain largely unchanged compared to IAS 39. However, where issued debt instruments are designated at fair value, the changes in the fair value attributable to own credit risk will be recognised in other comprehensive income (OCI) and not in profit or loss as required by IAS 39. Following an initial assessment of contractual cash flows and business model, SEB Group expects that the measurement basis of the majority of the Group's financial assets will be unchanged on application of IFRS 9.

IFRS 9 introduces an expected credit loss (ECL) model with a three-stage approach based on changes in the credit risk. A 12-month ECL, Stage 1, applies to all items, unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), lifetime ECL applies. The assessment of credit risk, and the estimation of expected credit loss, are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, financial assets at fair value through other comprehensive income and off-balance sheet items such as loan commitments and financial guarantees. SEB Group's IFRS 9 methodology for ECL measurement will leverage off existing internal rating-based Basel models. The design of the IFRS 9 models entails adjusting from the regulatory one-year-loss horizon and through-the-cycle modelling to lifetime loss horizon and point-in-time modelling. SEB Group plans to use internally developed macro-economic forecasts as the basis for the forward-looking information incorporated in the ECL measurement. SEB Group's assessment is that the expected credit loss model is likely to increase loan loss allowances at transition, compared to the current incurred loss model.

IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018). 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 has evaluated the nature and impact of the change to the financial statements of the Group. No major impact is expected.

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 1st 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 2016**

(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 2016**

(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 2016**

(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 2016**

(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 - matured in February 2016). 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 2016**

(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 2016**

(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:

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

Asset category	Depreciation period (years)
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 2016**

(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 and onerous contracts 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. The estimated amount in onerous contract case reflects the least net cost of the exiting from the contract, which is lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

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.

Provisions should be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

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 2016**

(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 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 2016**

(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 1,798 thousand (2015: EUR 1,640 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 443 thousand (2015: EUR 668 thousand) of which EUR 88 thousand (2015: 309 EUR thousand) coming from loans and receivables assessed individually and EUR 355 thousand (2015: EUR 359 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. A tax dispute regarding thin capitalization rule has been started. In 2014 the bank made a profit tax and deferred profit tax provisions amounting to EUR 7,669 thousand and EUR 2,182 thousand respectively (reported in the Income statement line *Income tax expenses*) as well as EUR 3,505 thousand for fines (reported in the Income statement line *Other administrative expenses*). The dispute has been closed at the end of 2016 in favour of the Bank. In 2016 the Bank reversed all the above mentioned provisions.

The deferred tax assets recognised at 31 December 2016 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 significant effect to the recognised deferred tax assets as at 31 December 2016 and 2015.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 – equity investments

On November 2, 2015, Visa Inc. announced its planned acquisition of Visa Europe (a membership-owned organisation) creating a single global Visa company. The Bank was a Principal member of Visa Europe on the announcement date. The transaction has been completed till the end of June 2016 and proceeds received by the Bank consisted of 1) cash portion amounting to EUR 16,964 thousand; 2) 6141 preference shares in Visa Inc. amounting to EUR 3,023 thousand.; 3) deferred payment amounting to EUR 1,460 thousand (reported under the line *Other assets*). Total realised gain from this transaction is EUR 21,447 thousand.

Further details of major assumptions of VISA Inc. preference shares are disclosed under this note section *Fair values*.

Onerous contracts

In 2016 the Bank made a provision for the onerous rent contract amounting to EUR 3,242 thousand. The estimated provision amount reflects the least net cost of the exiting from the contract, which is lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

More information is disclosed in the note 12 *Other administrative expenses*.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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:

	2016		2015	
	Book value	Fair value	Book value	Fair value
Balances with the Central Bank	61,501	61,501	947,896	944,361
Due from banks	1,391,552	1,389,834	253,185	252,904
Loans to credit institutions	7,550	7,557	12,236	12,236
Loans to customers	4,864,006	4,569,346	4,480,493	4,298,939
Investment securities - loans and receivables	-	-	53,985	54,121
Finance lease receivable	475,402	471,963	396,137	394,227
Total financial assets valued at amortised cost	6,800,011	6,500,202	6,143,932	5,956,788
Due to the Central Bank	18	18	17	17
Due to credit institutions	1,370,821	1,377,469	1,092,934	1,103,415
Current and demand deposits	4,340,824	4,339,136	3,878,454	3,868,575
Term deposits from the public	811,510	810,938	888,102	882,473
Debt securities in issue	7,146	7,199	14,515	14,613
Total financial liabilities valued at amortised cost	6,530,319	6,534,760	5,874,022	5,869,093

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:

	2016		2015	
	Book value	Fair value	Book value	Fair value
Balances with the Central Bank	61,501	61,501	947,896	944,361
Due from banks	1,391,552	1,389,834	253,185	252,904
Loans to credit institutions	7,550	7,557	12,236	12,236
Loans to customers	4,864,006	4,569,346	4,479,353	4,297,798
Investment securities - loans and receivables	-	-	53,985	54,121
Finance lease receivable	475,453	472,014	396,196	394,286
Total financial assets valued at amortised cost	6,800,062	6,500,252	6,142,851	5,955,706
Due to the Central Bank	18	18	17	17
Due to credit institutions	1,370,821	1,377,469	1,092,934	1,103,415
Current and demand deposits	4,350,242	4,348,554	3,886,316	3,872,630
Term deposits from the public	811,510	810,938	888,103	886,254
Debt securities in issue	7,146	7,199	14,515	14,613
Total financial liabilities valued at amortised cost	6,539,737	6,544,178	5,881,885	5,876,929

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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.

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 AB SEB bankas Group uses different methods; quoted prices in active markets, valuation techniques incorporating observable data and valuation techniques based on internal models. For disclosure purposes, financial instruments carried at fair value are classified in a fair value hierarchy according to the level of market observability of the inputs.

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

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

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

Level 1: Quoted market prices

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

Level 2: Valuation techniques with observable inputs

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

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

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

Level 3: Valuation techniques with significant unobservable inputs

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

Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. There have been no transfers between levels during the years 2016 and 2015.

Financial assets and liabilities presented on the Group's and the Bank's statement of financial position at amortized cost for the year 2016 and 2015 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, matured before the end of 2016) that are of level 1.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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)
31 December 2016			
Government securities available for sale	16,663	-	-
Financial assets at fair value through profit and loss	361,528		3,742
Derivative financial instruments (assets)	36	124,699	-
Equity securities – available for sale	-	-	3,268
Derivative financial instruments (liabilities)	(23)	(122,008)	-
Debt securities in issue	-	(902)	-
Total	378,204	1,789	7,010

	Fair value measurement at the end of reporting period based on:		
	Quoted price in active markets (Level 1)	Valuation techniques using observable inputs (Level 2)	Valuation techniques using non-observable inputs (Level 3)
31 December 2015			
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)	-
Total	369,921	(1,064)	19,280

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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)
31 December 2016			
Government securities available for sale	16,486	-	-
Financial assets at fair value through profit and loss	361,528	-	-
Derivative financial instruments (assets)	36	124,699	-
Equity securities – available for sale		-	3,268
Derivative financial instruments (liabilities)	(23)	(122,008)	-
Debt securities in issue		(902)	-
Total	378,027	1,789	3,268

	Fair value measurement at the end of reporting period based on:		
	Quoted price in active markets (Level 1)	Valuation techniques using observable inputs (Level 2)	Valuation techniques using non-observable inputs (Level 3)
31 December 2015			
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)	-
Total	369,831	(1,498)	15,924

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016:

	Balance as of 31 December 2015	Purchases	Sales	Gain (loss) in Income statement	Change in revaluation reserve in equity	FX rates effect	Balance as of 31 December 2016
Financial assets at fair value through profit and loss	3,356	121	364	629	-	-	3,742
Investment securities – available for sale	15,924	3,023	15,866	-	2	185	3,268

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

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 fair value of these as at 31 December 2016 and 2015 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 was a holder of 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 and consisted of cash part, preferred stock (series C shares) and 3 years deferred payment. The number of shares of class A common stock underlying each share of preferred stock is specified by the class A common equivalent number with respect to the applicable series of preferred stock. The equivalent number has been set on the issue date of preferred stock which occurred at the closing of the deal. The class A common equivalent number will be adjusted from time to time pursuant to the applicable governing documents with respect to such series.

Valuation of VISA Inc. preferred stock:

Positions, that are classified as level 3 and for which a traded price nor a third party quote is available, are to be valued by benchmarking to another product with similar characteristics and for which a traded price or an independent third party quote is available. Information from traded indices and other sources shall also be used when available. The benchmarking exercise must be well documented and approved by the relevant Valuation Committee in order to allow for a review of the appropriateness of used prices.

SEB, as an owner of the preferred share, has a stake in the company in proportion to the stocks held under the conversion estimate provided by Visa Inc. Valuation inputs to approximate the value of the preference shares have been used. The expected number of A class shares to be received on conversion shares has been estimated by management based on known terms and conditions. Following the exercise of the stock conversion, stock will be valued at the traded price for the Visa Inc. shares (NYSE:V). Given that preference shares are directly convertible to A Class shares, the use of market observable inputs has been maximized. The SEB valuation of the preferred shares has therefore been modelled on the traded closing price at month end for the Visa Inc. share on NYSE. In order to account for the fact that the SEB preferred shares are non-transferrable and subject to ownership restrictions, the listed A class share price is adjusted. The adjustment reflects that, when the transaction is closed, holders of preference shares do not have access to the primary market where Visa A class shares are traded. Preference shares may only be sold or transferred to other members in the transaction or other holders of B-class shares.

The adjustment also reflects uncertainties around the conversion rate and the outcome of covered litigation, where the conversion rate will be reduced in the event that Visa Inc. suffers losses related to certain covered litigation, a haircut has been applied to the estimated number of shares to be allocated to SEB. The embedded conversion feature, which reduces the number of Visa Inc. equity instruments a Principal Member receives on conversion of its preferred share, is dependent upon the uncertain outcome of litigation.

The total adjustment made by the Bank was 50 percent .

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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

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 161 thousand (2015: EUR 964 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.

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.

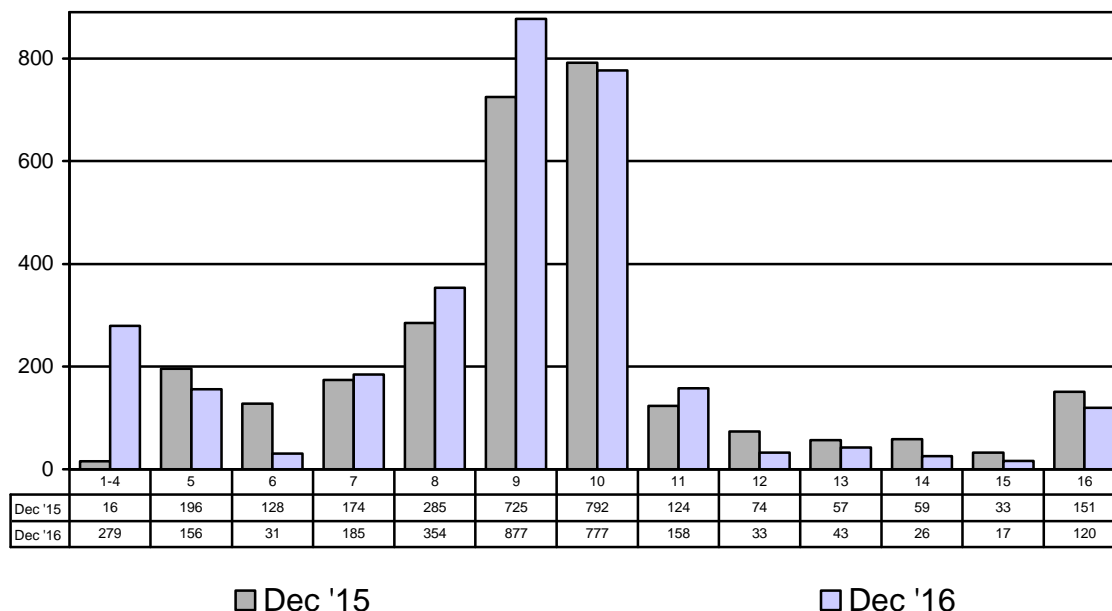
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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



The analysis in the table above did not include private individuals and small corporates EUR 2,381 million (2015: EUR 2,191 million), administration fee EUR 6 million (2015: EUR 7 million) and provisions for impairment losses EUR 92 million (2015: EUR 125million).

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 no 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*.

*- A financial asset is past due when any amount of principal, interest or fee has not been paid by a counterparty at the date it was contractually due.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

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

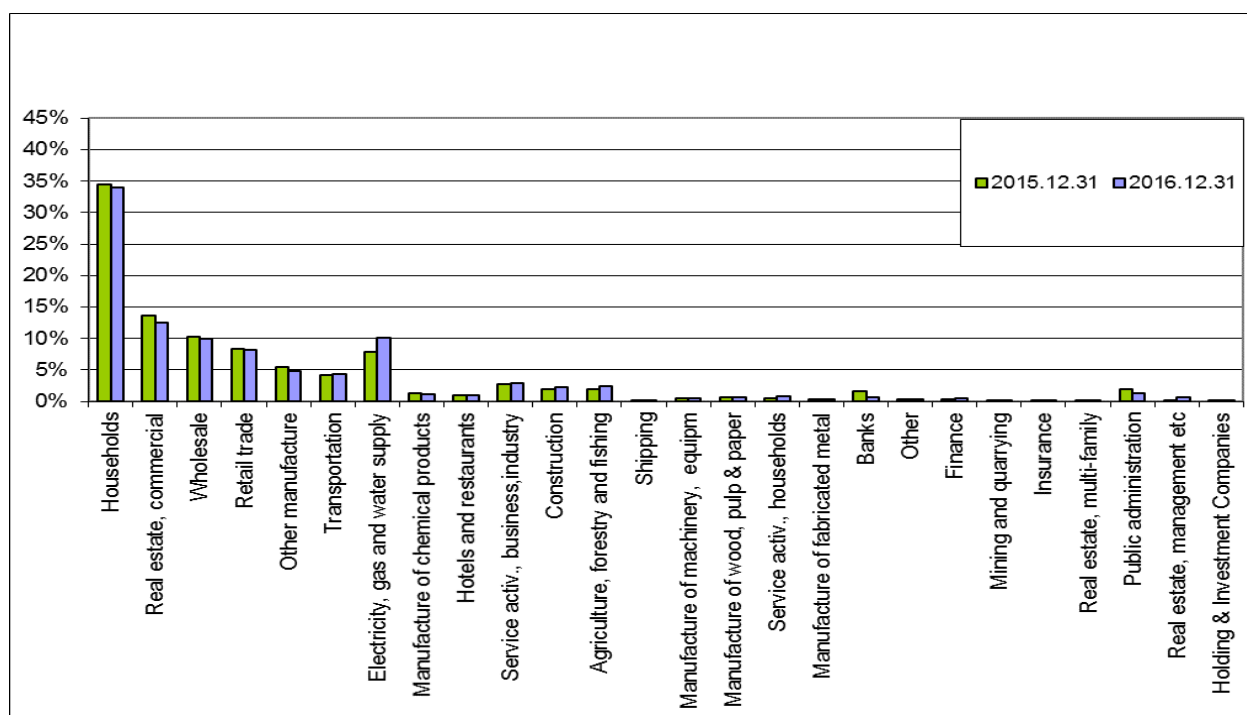
The portfolio based assessment is applied to the following homogeneous credit groups having the similar risk characteristics: mortgage loans, consumer loans, credit cards, small corporate loans. The collective provisions for the homogeneous credit groups are formed by applying statistical methods based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

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

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 2016, 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 2016**

(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 2016 and 2015, 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	
2016	2015		2016	2015
61,501	947,896	Balances with the Central Bank	61,501	947,896
1,391,552	253,185	Due from banks	1,391,552	253,185
16,663	17,263	Government securities available for sale	16,486	17,173
361,480	352,696	Financial assets at fair value through profit and loss	361,528	352,696
124,735	109,623	Derivative financial instruments	124,735	109,623
7,550	12,236	Loans to credit institutions	7,550	12,236
		Loans to customers		
799,923	712,222	Property management	799,923	712,222
1,861,292	1,683,256	Other corporate	1,860,152	1,682,116
46,979	85,875	Public	46,979	85,875
1,979,768	1,817,779	Mortgage loans	1,979,768	1,817,779
177,184	181,361	Other private individuals	177,184	181,361
		Finance lease receivable		
430,956	367,143	Corporate	430,956	367,143
40,841	27,575	Private individuals	40,841	27,575
3,605	1,419	Other	3,656	1,478
		Investment securities:		
-	53,985	loans and receivables	-	53,985
38,511	29,908	Other financial assets	39,338	30,640
		Credit risk exposures relating to off-balance sheet items		
1,069,202	976,408	Agreements to grant loans	1,069,202	976,408
238,384	134,131	Guarantees issued	238,384	134,131
40,566	32,602	Letters of credit issued	40,566	32,602
15,084	11,275	Commitments to purchase assets	15,084	11,275
11	11	Customs guarantees collateralised by deposits	11	11
8,705,787	7,807,849	Total as of 31 December	8,705,396	7,807,410

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 2016**

(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 2016 and 2015 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 2016 and 2015 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 2016 and 2015 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 113 percent as of 31st of December 2016 (111 percent as of 31 December 2015). At the end of year deposits continued to flood into the bank and raised Core Gap ratio by 2 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 and 2016 the Bank and the Group was in compliance with this requirement. As at 31 December 2016 LCR for the Bank was 199.76% while for the Group it was 200.06%.

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 2016**

(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 2016:

Maturity	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit institutions	353,645	493,347	147,053	270,465	115,739	1,380,250
Deposits from public	4,736,569	166,279	221,362	26,298	1,917	5,152,425
Debt securities in issue	2,355	4,196	1,217	538	-	8,306
Other financial liabilities	27,995	3,836	1,768	1,100	5,552	40,250
Total undiscounted non- derivative financial liabilities	5,120,564	667,659	371,400	298,400	123,209	6,581,231
Commitments to grant loans	865,378	110,177	72,118	21,267	273	1,069,213
Guarantees	238,384	-	-	-	-	238,384
Letters of credit issued	28,846	5,588	1,751	2,460	1,921	40,566
Operating lease commitments	2,121	2,108	3,447	12,352	11,583	31,611
Commitments related to leasing	5,999	1,322	109	-	7,654	15,084

The Group's undiscounted non-derivative financial liability analysis as of 31 December 2015:

Maturity	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
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
Total undiscounted non- derivative financial liabilities	4,607,896	707,249	322,824	264,292	26,918	5,929,179
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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016:

Maturity	Upto 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit institutions	353,645	493,347	147,053	270,465	115,739	1,380,250
Deposits from public	4,745,986	166,279	221,362	26,298	1,917	5,161,842
Debt securities in issue	2,355	4,196	1,217	538	-	8,306
Other financial liabilities	28,045	3,606	1,981	1,066	5,552	40,250
Total undiscounted non- derivative financial liabilities	5,130,031	667,429	371,613	298,366	123,209	6,590,648
Commitments to grant loans	865,378	110,177	72,118	21,267	273	1,069,213
Guarantees	238,384	-	-	-	-	238,384
Letters of credit issued	28,846	5,588	1,751	2,460	1,921	40,566
Operating lease commitments	2,121	2,108	3,447	12,352	11,583	31,611
Commitments related to leasing	5,999	1,322	109	-	7,654	15,084

The Bank's undiscounted non-derivative financial liability analysis as of 31 December 2015:

Maturity	Upto 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
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
Total undiscounted non- derivative financial liabilities	4,615,761	707,249	322,824	264,292	26,918	5,937,044
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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016:

Maturity	Upto 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
IRS	30,378	1,924	30,662	118,369	808,323	989,656
FX forwards	17,316	4,824	1,165			23,305
FX swaps	18,312	455	252			19,018
Equity options	36	180	26	7		248
Currency options	186					186
Total outflows	66,228	7,382	32,104	118,377	808,323	1,032,414
Inflows:						
IRS	30,018	1,859	31,071	119,176	808,705	990,830
FX forwards	17,265	4,832	1,107			23,204
FX swaps	18,553	544	316			19,414
Equity options	36	180	26	7		248
Currency options	186					186
Total inflows	66,059	7,416	32,520	119,183	808,705	1,033,883

Undiscounted derivative instruments analysis for the Group and the Bank as of 31 December 2015:

Maturity	Upto 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
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
Total outflows	152,356	17,854	34,488	120,027	843,999	1,168,723
Inflows:						
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
Total inflows	149,647	17,860	34,856	120,058	845,141	1,167,563

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 2016**

(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 2016 and 2015 were as follows:

	31 December 2015	31 December 2016
The Bank	22.43%	19.43%
The Financial Group	22.57%	19.49%

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 2016**

(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 management board and 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 2016**

(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 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 4 SEGMENT INFORMATION (CONTINUED)

Business segments of the Group for the year ended 31 December 2016 were as follows:

	Baltic Division	Merchant Banking	Asset Management	Treasury	Other	Eliminations	Total Group
Interest income	123,137	24	(57)	26,812	-	(37,089)	112,827
- Internal	11,780		(47)	25,356	-	(37,089)	-
- External	111,357	24	(10)	1,456	-	-	112,827
Interest expense	(39,998)	-	-	(23,114)	-	37,089	(26,023)
- Internal	(25,311)	-	-	(11,778)	-	37,089	-
- External	(14,687)	-	-	(11,336)	-	-	(26,023)
Commission income	73,697	594	6,660	252	-	(3,267)	77,936
- Internal	3,151	-	(136)	252	-	(3,267)	-
- External	70,546	594	6,796	-	-	-	77,936
Commission expense	(21,626)	-	(3,789)	(25)	-	3,267	(22,173)
- Internal	(252)	-	(3,015)	-	-	3,267	-
- External	(21,374)	-	(774)	(25)	-	-	(22,173)
Net financial income/(expense)	14,464	629	(1)	(409)	-	-	14,683
Net other income/(expense)	20,956	-	-	35	(8)	-	20,983
Net operating income/ (expenses)	170,630	1,247	2,813	3,551	(8)	-	178,233
Total staff costs and other administrative expenses	(73,479)	(92)	(956)	(294)	1,671	-	(73,150)
Depreciation/amortisation	(4,752)	(6)	(17)	(1)	(1,518)	-	(6,294)
Capital gain/(losses)	991	-	-	-	(50)	-	941
Total impairment losses	(775)	-	-	-	-	-	(775)
Profit before income tax	92,615	1,149	1,840	3,256	95	-	98,955
Income tax (expenses)	(5,249)	(227)	(333)	-	-	-	(5,809)
Net profit for the year	87,366	922	1,507	3,256	95	-	93,146
Total Assets	6,129,399	3,885	6,720	1,795,411	31	(417,507)	7,517,939
Total Liabilities	5,339,533	2,922	4,875	1,792,121	(64)	(417,507)	6,721,880
Acquisition of intangible assets, investment property and equipment	6,451						6,451

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 4 SEGMENT INFORMATION (CONTINUED)

For the year ended, 31 December 2016 reconciliation between Group's Segment reporting and financial statements is presented below:

	<u>Eliminations</u>		
	Segment Reporting	Other reconciling entries	Financial Statements
Interest income	112,827	4,046	116,873
Interest expense	(26,023)	(4,103)	(30,126)
Commission income	77,936	(69)	77,867
Commission expense	(22,173)	(232)	(22,405)
Net financial income	14,683	-	14,683
Net other income	20,983	3,665	24,648
Net operating income	178,233	3,307	181,540
Total staff costs and other administrative expenses	(73,150)	(3,291)	(76,441)
Depreciation/amortisation	(6,294)	-	(6,294)
Capital losses	941	-	941
Total impairment losses	(775)	(16)	(791)
Profit before income tax	98,955	-	98,955
Income tax (expenses)	(5,809)	-	(5,809)
Net profit for the year	93,146	-	93,146

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 2016**

(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:

	Baltic Division	Merchant Banking	Asset Management	Treasury	Other	Eliminations	Total Group
Interest income	114,393	45	-	40,022	-	(35,954)	118,506
- Internal	1,266	-	(2)	34,690	-	(35,954)	-
- External	113,127	45	2	5,332	-	-	118,506
Interest expense	(36,780)	(16)	-	(38,266)	-	35,954	(39,108)
- Internal	(34,674)	(16)	-	(1,264)	-	35,954	-
- External	(2,106)	-	-	(37,002)	-	-	(39,108)
Commission income	73,201	-	7,128	133	-	(3,512)	76,950
- Internal	3,379	-	-	133	-	(3,512)	-
- External	69,822	-	7,128	-	-	-	76,950
Commission expense	(23,228)	75	(4,401)	(85)	-	3,512	(24,127)
- Internal	(133)	-	(3,379)	-	-	3,512	-
- External	(23,095)	75	(1,022)	(85)	-	-	(24,127)
Net financial income/(expense)	17,934	1,987	(4)	(471)	-	-	19,446
Net other income/(expense)	(468)	-	(1)	87	(9)	-	(391)
Net operating income/ (expenses)	145,052	2,091	2,722	1,420	(9)	-	151,276
Total staff costs and other administrative expenses	(72,373)	(97)	(904)	(297)	2,170	-	(71,501)
Depreciation/amortisation	(4,650)	(7)	(16)	(1)	(1,491)	-	(6,165)
Capital (losses)	152	-	-	-	2	-	154
Total impairment reversals	(4,921)	-	-	-	-	-	(4,921)
Profit (loss) before income tax	63,260	1,987	1,802	1,122	672	-	68,843
Income tax benefit (expenses)	(9,825)	-	(218)	-	-	-	(10,043)
Net profit (loss) for the year	53,435	1,987	1,584	1,122	672	-	58,800
Total Assets	5,623,379	6,890	6,547	1,603,639	693	(376,163)	6,864,985
Total Liabilities	4,840,534	4,903	4,674	1,586,646	21	376,163	6,812,941
<i>Acquisition of intangible assets, investment property and equipment</i>	5,732	-	-	-	-	-	5,732

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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>		
	Segment Reporting	Other reconciling entries	Financial Statements
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
Net operating income	151,276	442	151,718
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 credits	(4,921)	(2)	(4,923)
Loss before income tax	68,843	-	68,843
Income tax (expenses)	(10,043)	-	(10,043)
Net profit for the year	58,800	-	58,800

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 5 NET INTEREST INCOME

The Group			The Bank	
2016	2015		2016	2015
116,872	119,695	Interest income:	116,894	119,666
3	29	on balances with Central Banks	3	29
890	496	on loans and advances to credit institutions	890	496
101,633	103,646	on loans and advances to customers	101,655	103,619
307	2,833	on government securities - loans and receivables	307	2,833
9,428	9,292	on finance leasing portfolio	9,428	9,292
633	639	on debt securities available for sale	633	637
3,978	2,760	on debt securities, designated at fair value	3,978	2,760
(30,126)	(40,297)	Interest expenses:	(30,113)	(40,297)
(15,384)	(19,227)	on amounts owed to credit institutions	(15,371)	(19,227)
(537)	(2,013)	on deposits from the public	(537)	(2,013)
(210)	(344)	on debt securities	(210)	(344)
(9,543)	(13,329)	deposits insurance expenses	(9,543)	(13,329)
(4,452)	(5,384)	Single resolution fund	(4,452)	(5,384)
86,746	79,398	Total net interest income	86,781	79,369

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

The Group			The Bank	
2016	2015		2016	2015
(6,324)	8,268	Impairment losses (reversal) of impairment losses on loans to customers, net	(6,324)	8,268
(1,615)	(2,126)	Recovered written off loans	(1,615)	(2,126)
(7,939)	6,142	Impairment losses (reversal) on loans, net	(7,939)	6,142

Changes in impairment losses during the year 2016 and 2015 were as follows:

The Group			The Bank	
2016	2015		2016	2015
109,936	132,010	Impairment losses on loans as of 1 January (note 21)	109,936	132,010
(7,288)	8,268	Impairment charged (credited) to income statement by customer category, net:	(7,288)	8,268
842	13,818	Other corporate	842	13,818
(4,075)	1,962	Property management	(4,075)	1,962
(3,667)	(6,134)	Mortgage	(3,667)	(6,134)
(388)	(1,378)	Other private individuals	(388)	(1,378)
(26,053)	(31,891)	Loans written off:	(26,053)	(31,891)
(13,158)	(5,324)	Other corporate	(13,158)	(5,324)
(6,663)	(15,328)	Property management	(6,663)	(15,328)
(6,232)	(11,239)	Private individuals	(6,232)	(11,239)
622	-	Charge of unwinding reserve	622	-
(131)	1,549	Effect of change in exchange rate	(131)	1,549
77,086	109,936	Impairment losses on loans as of 31 December	77,086	109,936

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

As of 31 December 2016 the Bank had EUR 59,035 thousand of individually impaired loans, gross of impairment losses (2015: EUR 106,514 thousand). As of 31 December 2016 accrued interest on these loans amounted to EUR 2 thousand (2015: EUR 136 thousand). Deferred loan origination fee amounted to EUR 27 thousand for individually impaired loans to customers (2015: EUR 40 thousand).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016 amounted to EUR 1,215 thousand (2015: EUR 2,644 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	
2016	2015		2016	2015
15,359	14,768	Impairment losses on finance lease portfolio	15,359	14,768
289	1,267	Impairment losses on other assets	289	1,267
15,648	16,035	Impairment losses on finance lease portfolio and other assets as of 31 December	15,648	16,035

Changes in impairment losses for finance lease portfolio and other assets related to lease portfolio for the year ended 31 December 2016 and 2015 were as follows:

The Group			The Bank	
2016	2015		2016	2015
3,867	(1,558)	Impairment (reversal) loss on finance lease portfolio charged/ credited to income statement	3,867	(1,558)
3,867	(1,558)	Impairment (reversal)/loss on finance lease portfolio and other assets related to lease portfolio, net	3,867	(1,558)

The Group			The Bank	
2016	2015		2016	2015
14,768	20,280	Impairment losses on finance lease portfolio as of 1 January (note 22)	14,768	20,280
3,867	(1,558)	Impairment loss/(reversal) credited to income statement, net:	3,867	(1,558)
3,801	(1,776)	Corporate	3,801	(1,776)
66	218	Private individuals	66	218
(3,380)	(2,689)	Finance leasing receivable written off	(3,380)	(2,689)
(3,380)	(2,689)	Corporate	(3,380)	(2,689)
104	(1,265)	Effect of change in exchange rate	104	(1,265)
15,359	14,768	Impairment losses on finance lease portfolio as of 31 December	15,359	14,768

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

Changes in impairment losses for guarantees and other off balance sheet items for the year ended 31 December 2016 and 2015 were as follows:

The Group			The Bank	
2016	2015		2016	2015
6,869	2,642	Provisions for the year for guarantees and other off balance sheet items charged to income statement	6,869	2,642
(2,023)	(2,306)	Reversals of provisions for the year for guarantees and other off balance sheet items	(2,023)	(2,306)
4,846	336	Provisions for the year charged to income statement	4,846	336

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 7 NET FEE AND COMMISSION INCOME

The Group			The Bank	
2016	2015		2016	2015
19,552	18,231	For money transfer operations	19,552	18,232
29,505	31,842	For payment cards services	29,505	31,842
5,030	4,824	For operations with securities	5,030	4,824
23,780	21,296	Other income on services and commissions	19,395	17,632
77,867	76,193	Income on services and commissions	73,482	72,530
(73)	(184)	For money transfer operations	(73)	(184)
(15,186)	(17,177)	For payment cards services	(15,186)	(18,187)
(1,664)	(1,249)	For operations with securities	(1,664)	(1,249)
(5,482)	(6,240)	Other expenses on services and commissions	(4,706)	(4,279)
(22,405)	(24,850)	Expenses on services and commissions	(21,629)	(23,899)

NOTE 8 DIVIDEND INCOME FROM SUBSIDIARIES

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

	2016	2015
UAB "SEB investicijų valdymas"	1,535	4,500
UAB "SEB Venture Capital"	2,358	2,355
Total dividend income	3,893	6,855

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

The Group			The Bank	
2016	2015		2016	2015
692	1,110	Realised result from operations with debt securities in trading portfolio	692	1,110
28	3	Unrealised result from operations with debt securities in trading portfolio	28	3
(605)	(500)	Result of available for sale portfolio designated for fair value hedge	(605)	(500)
(204)	(1,736)	Gain/Loss of Government securities - loans and receivables, designated for fair value hedge	(204)	(1,736)
(1,273)	(631)	Result of Government securities at fair value through profit (loss)	(1,273)	(631)
904	2,323	Unrealised result of interest rate swap designated as hedging instrument	904	2,323
2,723	1,824	Result of other derivatives	2,723	1,824
2,265	2,393	Net gains on financial assets and derivative instruments accounted for at fair value	2,265	2,393

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 10 NET FOREIGN EXCHANGE GAIN

The Group			The Bank	
2016	2015		2016	2015
10,548	12,487	Gain from foreign exchange trading	10,549	12,484
1,337	2,849	Unrealised translation gain	1,336	2,763
11,885	15,336	Net gain on foreign exchange	11,885	15,247

NOTE 11 STAFF COSTS

The Group			The Bank	
2016	2015		2016	2015
31,236	30,377	Salaries and wages	30,931	30,087
		Social security expenses (defined contribution plan cost)		
10,756	10,477		10,658	10,388
41,992	40,854	Total staff costs	41,589	40,475

The following numbers of full-time personnel were employed by the Group's companies as of 31 December 2016 and 2015:

	2016	2015
AB SEB bankas	1,578	1,638
UAB "SEB investicijų valdy mas"	9	9
UAB "SEB Venture Capital"	1	1
Total employees	1,588	1,648

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

NOTE 12 OTHER ADMINISTRATIVE EXPENSES

The Group			The Bank	
2016	2015		2016	2015
12,454	9,523	Rent and maintenance of premises	12,417	9,479
2,348	3,041	Depreciation property and equipment	2,324	3,017
101	99	Depreciation of investment property	101	99
3,090	2,045	Audit and consulting expenses	3,053	1,999
7,798	7,849	Office equipment and software maintenance	7,798	7,849
1,677	1,865	Communication expenses	1,673	1,813
2,951	1,474	Payments for servicing organizations	2,874	1,448
1,028	1,131	Transport expenses	1,012	1,119
1,800	1,750	Advertising and promotion expenses	1,766	1,719
3,033	3,025	Amortisation of intangible assets	3,033	3,025
1,677	1,572	Other than income taxes	1,677	1,572
448	456	Employees training expenses	448	452
475	517	Insurance of banking operations	475	517
210	192	Charity and sponsorship	210	192
712	2,559	Other expenses	463	2,342
39,802	37,098	Total other administrative expenses	39,324	36,642

In 2016 the Bank has made a provision amounting to EUR 3,242 thousand for the onerous contract reported under the line *Rent and maintenance of premises*. More information regarding onerous contracts is provided in the Note 3 section v) *Provisions*

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 13 INCOME TAX EXPENSE

The Group			The Bank		
2016	2015		2016	2015	
7,574	3,855	Current year tax charge	7,115	3,448	
(7,987)	(203)	Previous years related tax charge	(7,843)	(193)	
6,222	6,391	Change in deferred tax asset and liability balance	5,978	6,570	
5,809	10,043	Total income tax charge	5,250	9,825	

During the year 2016 the Bank's advance profit tax payment was EUR 2,823 thousand. The change of the tax charge related to previous year is due to reverse of profit tax provision made by the Bank in the year 2014 because of the tax dispute with the State Tax Inspectorate under the Ministry of Finance of The Republic of Lithuania. More details are provided in the Note 3 section *Critical Accounting Estimates and Judgements in Applying Accounting Policies, Tax and deferred tax*.

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		
2016	2015		2016	2015	
98,955	68,843	Profit before tax	99,735	71,909	
14,843	10,326	Tax calculated at a tax rate of 15%	14,960	10,786	
(311)	(874)	Income not subject for tax	(897)	(1,500)	
1,212	793	Expenses not deductible for tax purposes	1,212	696	
(1,948)	1	Recognition of previously unrecognized deferred tax	(2,182)	36	
(7,987)	(203)	Correction of previous period income tax	(7,843)	(193)	
5,809	10,043	Total income tax charge	5,250	9,825	

Starting from the year 2010 income tax rate in Lithuania is 15 percent. Significant lower effective tax rate in 2016 as compared to 2015 is due to EUR 7,669 thousand correction of previous period income tax. More details are provided in the Note 3 section *Critical Accounting Estimates and Judgements in Applying Accounting Policies, Tax and deferred tax*.

Deferred tax asset

The Group			The Bank		
2016	2015		2016	2015	
28,571	37,375	Assets at 1 January	28,390	37,372	
(6,019)	(6,391)	Income statement charge	(5,978)	(6,570)	
2,375	(2,414)	Other comprehensive income	2,375	(2,412)	
24,927	28,571	Asset at 31 December	24,787	28,390	

Deferred tax liability

The Group			The Bank		
2016	2015		2016	2015	
202	-	Income statement charge	-	-	
202	-	Liability at 31 December	-	-	

As of 31 December 2016 and 2015 deferred income tax was calculated using 15 percent income tax rate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 13 INCOME TAX EXPENSE (CONTINUED)

The Group			The Bank	
2016	2015		2016	2015
		Deferred tax assets		
81	-	Revaluation of securities	81	-
501	1,128	Amortisation and depreciation	503	1,131
2,532	2,310	Accrued expense	2,389	2,110
1,041	1,559	Impairment losses	1,041	1,559
21,780	29,421	Tax loss carried forward	21,729	29,421
25,935	34,418	Deferred tax assets, net	25,743	34,221
		Deferred tax liability		
		Revaluation of available for sales securities through equity	6	2,381
		Revaluation of available for sale and loans and receivables securities designated for fair value hedge	103	225
103	225		217	2,381
217	2,397	Other accruals		110
254	110	Revaluation of securities accounted at fair value	630	734
630	734	Revaluation of derivatives		
1,210	5,847	Deferred tax liability, net	956	5,831

As of 31 December 2016 the deferred tax asset related to tax losses recognised by the Bank is EUR 21,729 thousand (EUR 29,421 thousand as of 31 December 2015) of which none 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 7,905 thousand of deferred tax asset within 12 month period from the date of these financial statements, respectively EUR 16,882 thousand after more than 12 months from the date of these financial statements. The amounts at the end 2015 were EUR 7,815 thousand and EUR 20,575 thousand respectively.

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

The Group			The Bank	
2016	2015		2016	2015
		Unused tax losses		
144,861	196,139	Tax loss carried forward, unlimited use	144,861	196,139
144,861	196,139	Total unused tax losses	144,861	196,139

As of 31 December 2016 and 2015 income tax effect relating to components of other comprehensive income was as follows:

The Group			The Bank	
2016	2015		2016	2015
		Fair value gains on available for sale investment securities before tax amount	(15,851)	16,026
(15,849)	16,028	Tax expenses	2,375	(2,412)
2,375	(2,412)	Fair value gains on available for sale investment securities, net of tax amount	(13,476)	13,614
(13,476)	13,614			

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 14 EARNINGS PER SHARE

	The Group	
	2016	2015
Net profit from continuing operations attributable to the shareholders	93,146	58,800
Weighted average number of shares (000s)	15,441	15,441
Basic and diluted earnings per share (EUR)	6.03	3.81

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	
2016	2015		2016	2015
58,689	49,690	Obligatory reserves	58,689	49,690
-	20,063	Target deposits	-	20,063
2,812	878,143	Balance available for withdrawal	2,812	878,143
61,501	947,896	Total balances with the Central Bank	61,501	947,896

Eurosystem's minimum reserve requirements comprise 1 percent (the same for the year 2015) of balance of current accounts, 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 for calculated reserve requirements amount is 0.0 percent, while deposit facility rate for the rest of amount on ECB account is -0.4 percent.

As at 31 December of 2015 the line 'Target deposits' represents Bank's balance of funds amounting to EUR 20,063 thousand 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 2016 the agreement with Indėlių ir Investicijų Draudimas expired and amounts not claimed by Bank Snoras depositors have been transferred back to Indėlių ir Investicijų Draudimas.

NOTE 16 DUE FROM BANKS

The Group			The Bank	
2016	2015		2016	2015
1,387,464	94,665	Current accounts	1,387,464	94,665
4,055	-	Overnight deposits	4,055	-
33	158,520	Term deposits	33	158,520
1,391,552	253,185	Total	1,391,552	253,185

Amounts due from Banks at 31 December 2016 have been due from counterparties with the rating not less than BBB- based on rating agency Standard & Poor's ratings except for EUR 2,7 million that are due from the counterparties which are not rated and EUR 0.06 mln. from counterparty's that are under non - investment grade..

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 17 GOVERNMENT SECURITIES AVAILABLE FOR SALE

<u>The Group</u>			<u>The Bank</u>	
17,789	As of 1 January 2015		17,604	
(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	
<u>17,263</u>	As of 1 January 2016		<u>17,173</u>	
88	Additions		-	
(729)	Disposals		(727)	
634	Interest income		633	
(605)	Result of available for sale portfolio designated for fair value hedge		(605)	
12	Change in revaluation reserve in equity		12	
<u>16,663</u>	As of 31 December 2016		<u>16,486</u>	

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>	
<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
19,666	43,106	Financial assets held for trading - securities of Government of Republic of Lithuania	19,666	43,106
345,604	313,380	Financial assets designated at fair value (at initial recognition)	341,862	309,590
<u>365,270</u>	<u>356,486</u>	Total financial assets designated at fair value	<u>361,528</u>	<u>352,696</u>

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 3,742 thousand as at 31 December 2016 (EUR 3,790 thousand as at 31 December 2015) and the Bank's investment in Lithuanian Government securities amounting to EUR 341,862 as at 31 December 2016 (EUR 309,590 thousand as at 31 December 2015). 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>	
305,145	As of 1 January 2015		284,367	
179,101	Additions		178,684	
(171,993)	Disposals		(154,538)	
1,127	Revaluation		1,077	
<u>313,380</u>	As of 1 January 2016		<u>309,590</u>	
213,905	Additions		213,784	
(181,708)	Disposals		(180,910)	
27	Revaluation		(602)	
<u>345,604</u>	As of 31 December 2016		<u>341,862</u>	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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*.

Maturity date of the Bank's and the Group's financial assets at fair value through profit or loss which book value as at 31 of December 2016 is EUR 284,657 thousand is more than twelve month after the reporting period (EUR 253,163 thousand at 31 of December 2015).

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 2016 and 2015, based on Standard & Poor's ratings or their equivalent:

	Securities of Government of Republic of Lithuania	
	2016	2015
A-	361,528	352,696
Total	361,528	352,696

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 2016 receivable for interest rate and currency interest rate swaps amounting to EUR 24,804 thousand are due from the counterparties with internal risk classes that fall under the range from 4 till 12. Receivable for currency interest rate swaps amounting to EUR 98,710 thousand are due from the Parent company with internal risk class 2.

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 2016 derivative amounts to be recovered after more than twelve month after the reporting period are EUR 111,543 thousand (EUR 107,720 thousand at 31 of December 2015)..

As at 31 December 2016 derivative amounts to be settled after more than twelve month after the reporting period are EUR 109,704 thousand (EUR 104,890 thousand at 31 of December 2015).

Bank's and Group's derivative financial instruments:

31 December 2016	Notional amount		Fair value	
	Purchase	Sale	Assets	Liabilities
Foreign exchange derivatives				
Currency forwards	28,050	28,151	551	651
Currency swaps	19,414	19,018	404	73
Put options	185	185	2	2
Call options	185	185	1	1
Interest rate derivatives				
Futures	200	200	6	5
Interest rate swaps	1,241,921	1,241,921	25,719	25,855
Interest rate swaps for hedging purposes	15,000	15,000		1,455
Currency interest rate swaps	763,708	763,708	97,795	93,739
Interest rate options	4,142	4,142	0	0
Equity derivatives				
Index linked debt securities option	4,369	4,369	258	248
Total derivatives assets/liabilities	2,077,174	2,076,879	124,735	122,031

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2015	Notional amount		Fair value	
	Purchase	Sale	Assets	Liabilities
Foreign exchange derivatives				
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
Interest rate derivatives				
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		
Equity derivatives				
Index linked debt securities option	10,791	10,792	1,296	1,280
Total derivatives assets/liabilities	1,860,412	1,859,969	109,623	109,031

NOTE 20 LOANS TO CREDIT INSTITUTIONS

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

The Group			The Bank		
2016	2015		2016	2015	
4,710	2,986	Lithuania	4,710	2,986	
1,900	9,184	Russian Federation	1,900	9,184	
500	-	Belarus	500	-	
153	-	India	153	-	
168	38	Croatia	168	38	
66	-	Singapore	66	-	
51	-	China	51	-	
1	1	United Kingdom	1	1	
1	-	France	1	-	
-	24	Germany		24	
-	2	Ireland		2	
-	1	United States	-	1	
7,550	12,236	Total loans to credit	7,550	12,236	

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

As of 31 December 2016 EUR 1 thousand were past due more than 60 days. As of 31 December 2015 EUR 2 thousands were past due more than 60 days

As at 31 December 2016 the balance of loans to credit institutions to be recovered after more than twelve month after the reporting period are EUR 4,709 thousand (EUR 2,986 thousand at 31 of December 2015).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016 and 31 December 2015, based on Standard & Poor's ratings or their equivalent:

	2016	2015
A+	4,776	2,987
BB-	1,900	7,543
CCC	500	-
Not available	285	39
BB	88	-
A	1	27
B	-	1,640
	7,550	12,236

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 and their financial effect are presented below.

As of 31 December 2016 and 2015 the Bank's loans to customers against collateral type were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2016						
Loans secured by mortgage, real property	-	588,735	566,094	1,846,415	100,747	3,101,991
Loans secured by deposits and securities	-	37,791	32,756	769	2,022	73,338
Loans secured by guarantees of government and banks	-	80	209,410	-	-	209,490
Accounts receivable and debtors	-	1,237	103,254	197	191	104,879
Inventories and equipment	288	162	277,945	2	-	278,397
Other collateral	-	170,429	367,388	128,982	3,611	670,410
Total	288	798,434	1,556,847	1,976,365	106,571	4,438,505
Unsecured loans	46,691	14,353	332,084	28,565	80,894	502,587
Total loans to customers	46,979	812,787	1,888,931	2,004,930	187,465	4,941,092
31 December 2015						
Loans secured by mortgage, real property	2	489,634	572,745	1,666,704	110,160	2,839,245
Loans secured by deposits and securities	36	44,435	33,228	1,166	1,066	79,931
Loans secured by guarantees of government and banks	-	642	104,132	-	-	104,774
Accounts receivable and debtors	-	1,154	56,036	221	218	57,629
Inventories and equipment	636	147	249,324	2	2	250,111
Other collateral	6	185,351	371,033	145,470	4,101	705,961
Total	680	721,363	1,386,498	1,813,563	115,547	4,037,651
Unsecured loans	85,195	13,878	336,805	37,723	78,037	551,638
Total loans to customers	85,875	735,241	1,723,303	1,851,286	193,584	4,589,289

As of 31 December 2016 loans with floating interest rate made 73.86 percent of the Bank's total loan portfolio (2015: 76.07 percent).

As of 31 December 2016 included in the above amounts of loans secured by deposits and securities is reversed repo transactions equal to EUR 154 thousand with securities in amount of EUR 247 thousand (2015: EUR 296 thousand and EUR 624 thousand respectively), which includes funds (EUR 247 thousand).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 21 LOANS TO CUSTOMERS (CONTINUED)

As of 31 December 2016 and 2015 the Bank's loans to customers by customer category were as follows:

	2016	2015
Neither past due nor impaired:		
Property management	762,361	663,075
Other corporate	1,804,581	1,582,323
Public	46,074	85,505
Mortgage loans	1,904,959	1,740,857
Other private individuals	164,265	168,123
Total neither past due nor impaired	4,682,240	4,239,883
Past due but not impaired:		
Property management	20,540	19,011
Other corporate	45,350	79,037
Public	905	370
Mortgage loans	99,590	108,957
Other private individuals	21,221	23,185
Total past due but not impaired	187,606	230,560
Impaired individually assessed loans:		
Property management	29,886	53,155
Other corporate	39,000	61,943
Mortgage loans	381	1,472
Other private individuals	1,979	2,276
Total impaired individually assessed loans	71,246	118,846
Total loans by customer category:		
Property management	812,787	735,241
Other corporate	1,888,931	1,723,303
Public	46,979	85,875
Mortgage loans	2,004,930	1,851,286
Other private individuals	187,465	193,584
Total loans by customer category	4,941,092	4,589,289
Less impairment losses on loans:		
Property management	(12,864)	(23,019)
Other corporate	(28,779)	(41,187)
Mortgage loans	(25,162)	(33,507)
Other private individuals	(10,281)	(12,223)
Total impairment losses on loans	(77,086)	(109,936)
Loans to customers, net	4,864,006	4,479,353

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016 and 2015:

	2016	2015
Impaired individually assessed loans:		
Property management	29,886	53,155
Other corporate	39,000	61,943
Mortgage loans	381	1,472
Other private individuals	1,979	2,276
Total impaired individually assessed loans	71,246	118,846
Less impairment losses on individually assessed loans:		
Property management	(11,501)	(20,800)
Other corporate	(22,750)	(34,251)
Mortgage loans	(742)	(742)
Other private individuals	(437)	(1,505)
Total impairment losses on individually assessed loans	(35,430)	(57,298)

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

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2016						
1 – 7 risk classes	33,553	31,564	550,884	-	-	616,001
8 risk class	2,162	78,375	184,499	-	-	265,036
9 risk class	260	350,100	452,778	-	-	803,138
10 risk class	-	239,613	384,978	-	-	624,591
11 risk class	10,099	20,758	103,367	497	-	134,721
12 risk class	-	4,609	24,937	-	-	29,546
13 – 16 risk class	-	32,637	28,070	-	-	60,707
Homogeneous credits groups	-	4,705	75,068	1,904,462	164,265	2,148,500
Total neither past due nor impaired	46,074	762,361	1,804,581	1,904,959	164,265	4,682,240
31 December 2015						
1 – 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
Total neither past due nor impaired	85,505	663,075	1,582,323	1,740,857	168,123	4,239,883

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 2016**

(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:

	2016	2015
A	1,773,587	1,565,916
B	183,823	176,565
C	52,928	56,141
D	122,004	129,666
E	16,064	40,675
Not rated	94	981
	2,148,500	1,969,944

The Group's loans differ from the Bank's loans to customers by loans granted by venture capital subsidiary. Loans granted by UAB "SEB Venture capital" as of 31 December 2015 amounted to EUR 1,141 thousand (none at the end of 2016). 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 2016 and 2015 loans to customers past due but not impaired and fair value of collateral were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2016						
Loans past due but not impaired:						
past due up to 7 days	905	2,134	5,992	16,978	2,299	28,308
past due 8-30 days	-	7,111	22,740	21,660	2,969	54,480
past due 31 - 60 days	-	3,124	244	12,160	1,263	16,791
past due over 60 days	-	8,171	16,374	48,792	14,690	88,027
Total past due but not impaired	905	20,540	45,350	99,590	21,221	187,606
Fair value of collateral pledged	-	20,714	20,957	91,584	12,104	145,359
31 December 2015						
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
Total past due but not impaired	370	19,011	79,037	108,957	23,185	230,560
Fair value of collateral pledged	-	18,156	41,579	99,412	13,766	172,913

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 2016 were past due up to 7 days and instalments were paid during January 2017, amount to EUR 22,692 thousand (2015: EUR 43,202 thousand), of which: public sector – none in 2016 (2015: EUR 370), property management – the whole amount for years 2016 and 2015, other corporate – EUR 5,074 thousand (2015: EUR 19,493 thousand), mortgage loans – EUR 13,821 thousand (2015: EUR 16,212 thousand), other private individuals – EUR 1,663 thousand (2015: EUR 2,021 thousand).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 21 LOANS TO CUSTOMERS (CONTINUED)

As of 31 December 2016 and 2015 impaired loans to customers and fair value of collateral were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2016						
Impaired individually assessed loans	-	29,886	39,000	381	1,979	71,246
Fair value of collateral pledged	-	19,007	16,276	247	935	36,465
31 December 2015						
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

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.

As at 31 December 2016 the balance of loans to customers to be recovered after more than twelve month after the reporting period are EUR 3,593,828 thousand (EUR 3,323,973 thousand at 31 of December 2015).

NOTE 22 FINANCE LEASE RECEIVABLE

The Group			The Bank	
2016	2015		2016	2015
Gross finance lease receivable				
202,153	168,254	-Falling due within one year	202,164	168,266
290,810	229,871	-Falling due from one to five years	290,850	229,918
12,186	26,304	-Falling due after five years	12,186	26,304
505,149	424,429	Total gross finance lease receivable	505,200	424,488
Unearned finance income				
(6,698)	(6,164)	-Falling due within one year	(6,698)	(6,164)
(7,545)	(6,890)	-Falling due from one to five years	(7,545)	(6,890)
(145)	(470)	-Falling due after five years	(145)	(470)
(14,388)	(13,524)	Total unearned finance income	(14,388)	(13,524)
(15,359)	(14,768)	Less impairment losses on finance lease receivable	(15,359)	(14,768)
475,402	396,137	Total finance lease receivable, net	475,453	396,196

As of 31 December 2016 finance lease contracts with floating interest rate reached 84.77 percent of leasing portfolio (2015: 85.88 percent).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 22 FINANCE LEASE RECEIVABLE (CONTINUED)

As of 31 December 2016 and 2015 finance lease receivable by customer category were as follows:

The Group			The Bank	
2016	2015		2016	2015
		Neither past due nor impaired:		
407,798	333,207	Corporate	407,798	333,207
40,255	26,955	Private individuals	40,255	26,955
3,555	1,404	Other	3,606	1,463
451,608	361,566	Total neither past due nor impaired	451,659	361,625
		Past due but not impaired:		
16,003	30,470	Corporate	16,003	30,470
1,182	1,149	Private individuals	1,182	1,149
50	15	Other	50	15
17,235	31,634	Total past due but not impaired	17,235	31,634
		Impaired finance lease receivable:		
21,194	16,981	Corporate	21,194	16,981
724	724	Private individuals	724	724
21,918	17,705	Total impaired finance lease receivable	21,918	17,705
		Total finance lease receivable by customer category:		
444,995	380,658	Corporate	444,995	380,658
42,161	28,828	Private individuals	42,161	28,828
3,605	1,419	Other	3,656	1,478
490,761	410,905	Total finance lease receivable by customer category	490,812	410,964
		Less impairment losses on finance lease receivable:		
(14,039)	(13,515)	Corporate	(14,039)	(13,515)
(1,320)	(1,253)	Private individuals	(1,320)	(1,253)
-	-	Other	-	-
(15,359)	(14,768)	Total impairment losses on finance lease receivable by	(15,359)	(14,768)
475,402	396,137	Finance lease receivable, net	475,453	396,196

The table below presents analysis of impaired individually assessed lease receivable as of 31 December 2016 and 2015:

	2016	2015
Impaired individually assessed lease receivable:		
Corporate	21,194	16,981
Private individuals	724	724
Total impaired individually assessed lease receivable	21,918	17,705
Less impairment losses on individually assessed lease receivable:		
Corporate	(12,077)	(10,294)
Private individuals	(724)	(724)
Total impairment losses on individually assessed lease receivable	(12,801)	(11,018)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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
31 December 2016				
1 – 7 risk classes	15,226	-	892	16,118
8 risk class	85,931	-	1,582	87,513
9 risk class	71,778	-	654	72,432
10 risk class	142,710	-	324	143,034
11 risk class	18,741	-	99	18,840
12 risk class	2,077	-	-	2,077
13-16 risk class	14,390	-	-	14,390
Homogeneous credits groups	56,945	40,255	55	97,255
Total neither past due nor impaired	407,798	40,255	3,606	451,659
31 December 2015				
1 – 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
Total neither past due nor impaired	333,207	26,955	1,463	361,625

As of 31 December 2016 and 2015 finance lease receivable past due but not impaired and fair value of collateral were as follows:

	Corporate	Private	Other	Total
31 December 2016				
Loans past due but not impaired:				
past due up to 30 days	8,825	597	49	9,471
past due 31 - 60 days	2,809	497	-	3,306
past due over 60 days	4,369	88	1	4,458
Total past due but not impaired	16,003	1,182	50	17,235
Fair value of collateral pledged	13,981	1,169	49	15,199
31 December 2015				
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
Total past due but not impaired	30,470	1,149	15	31,634
Fair value of collateral pledged	25,092	1,139	14	26,245

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016 and 2015:

	Corporate	Private	Total
31 December 2016			
Impaired loans	21,194	724	21,918
Fair value of collateral pledged	5,222	-	5,222
31 December 2015			
Impaired loans	16,981	724	17,705
Fair value of collateral pledged	8,134	-	8,134

As at 31 December 2016 the balance of Finance lease receivables to be recovered after more than twelve month after the reporting period are EUR 294,132 thousand (EUR 239,524 thousand at 31 of December 2015).

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 (matured in 2016), fair value is disclosed in table in *Accounting policies* part *Fair values*.

As of 31 December 2015 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 and result from revaluation of securities in income statement would have been lower by EUR 1,972 thousand.

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		
2016	2015		2016	2015	
		Securities available for sale:			
58	58	AB Panevezio Energija	58	58	
-	15,866	VISA Europe Ltd	-	15,866	
3,210	-	VISA Inc.	3,210	-	
3,268	15,924	Total investment securities available for sale	3,268	15,924	

AB Panevėžio energija and VISA Europe Ltd. are not rated. VISA Inc. rating is A+ based on Standard & Poor's ratings

The changes in investment securities for the year 2016 and 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	4,357	54,785	58	4,357	54,785
-	(4,357)	(1,955)	-	(4,357)	(1,955)
-	-	2,891	-	-	2,891
-	-	(1,736)	-	-	(1,736)
15,866	-	-	15,866	-	-
15,924	-	53,985	15,924	-	53,985
185	-	-	185	-	-
3,023	-	-	3,023	-	-
-	-	(54,105)	-	-	(54,105)
-	-	325	-	-	325
(15,866)	-	(205)	(15,866)	-	(205)
2	-	-	2	-	-
3,268	-	-	3,268	-	-
		December 31, 2016			

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 204 thousand (2015: EUR 1,736 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 loans and receivables based on Standard & Poor's ratings or their equivalent.

Available for sale investment consists mainly of VISA Inc. shares. More information about VISA Inc. shares is provided in the Note 3, section dd) *Critical Accounting Estimates and Judgements in Applying Accounting Policies* and section *Fair values*.

Ratings at 31 December 2015

	Loans and receivables
A-	53,985
	53,985

NOTE 24 INVESTMENTS IN SUBSIDIARIES

The Group			The Bank	
2016	2015		2016	2015
		Securities accounted for under cost method:		
-	-	UAB "SEB Venture Capital"	7,240	7,240
-	-	UAB "SEB investicijų valdymas"	2,871	2,871
-	-	Total investments in subsidiaries	10,111	10,111

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 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 25 INTANGIBLE ASSETS

As of 31 December 2016 and 2015 intangible assets of the Group and the Bank consisted of the following:

The Group		The Bank	
Software and other intangible fixed assets		Software and other intangible fixed assets	
Cost			
43,384	31 December 2014	43,333	
695	Additions	694	
(25)	Disposals and (or) write offs	(25)	
44,054	31 December 2015	44,002	
Accumulated amortisation and impairment			
32,173	31 December 2014	32,121	
3,025	Charge for the year	3,025	
(25)	Amorisation of disposals and (or) write offs	(25)	
35,173	31 December 2015	35,121	
Costs			
44,054	31 December 2015	44,002	
1,606	Additions	1,606	
(3,427)	Disposals and (or) write offs	(3,427)	
42,233	31 December 2016	42,181	
Accumulated amortisation and impairment			
35,173	31 December 2015	35,121	
3,033	Charge for the year	3,033	
(2,614)	Amorisation of disposals and (or) write offs	(2,614)	
35,592	31 December 2016	35,540	
Net book value			
8,881	31 December 2015	8,881	
6,641	31 December 2016	6,641	

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 it's 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 2016 was EUR 4,353 thousand (EUR 6,728 thousand at 31 December 2015).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 26 PROPERTY AND EQUIPMENT

As of 31 December 2016 and 2015 property and equipment of the Group consisted of the following:

	The Group			
	Buildings and other real estate	Computer equipment	Office equipment	Total property and equipment
Cost				
31 December 2014	2,626	22,723	13,504	38,853
Additions	375	576	1,496	2,447
Reclassifications	(2,955)	-	2,955	-
Disposals and (or) write offs	-	(814)	(1,333)	(2,147)
31 December 2015	46	22,485	16,622	39,153
Accumulated depreciation				
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 and (or) write offs	-	(811)	(1,118)	(1,929)
31 December 2015	-	19,760	12,373	32,133
Cost				
31 December 2015	46	22,485	16,622	39,153
Additions	-	2,232	707	2,939
Reclassifications	-	-	368	368
Disposals and (or) write offs	-	(5,061)	(4,471)	(9,532)
31 December 2016	46	19,656	13,226	32,928
Accumulated depreciation				
31 December 2015	-	19,760	12,373	32,133
Charge for the year	-	1,202	1,146	2,348
Depreciation of reclassified items	-	-	(52)	(52)
Depreciation of disposals and (or) write offs	-	(5,059)	(4,057)	(9,116)
31 December 2016	-	15,903	9,410	25,313
Net book value				
31 December 2015	46	2,725	4,249	7,020
31 December 2016	46	3,753	3,816	7,615

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 26 PROPERTY AND EQUIPMENT (CONTINUED)

As of 31 December 2016 and 2015 property and equipment of the Bank consisted of the following:

	The Bank			Total property and equipment
	Buildings and other real estate	Computer equipment	Office equipment	
Cost				
31 December 2014	2,626	22,712	13,363	38,701
Additions	375	576	1,467	2,418
Reclassifications	(2,955)	-	2,955	-
Disposals and (or) write offs	-	(814)	(1,327)	(2,141)
31 December 2015	46	22,474	16,458	38,978
Accumulated depreciation				
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 and (or) write offs	-	(811)	(1,113)	(1,924)
31 December 2015	-	19,750	12,324	32,074
Cost				
31 December 2015	46	22,474	16,458	38,978
Additions	-	2,229	707	2,936
Reclassifications	-	-	368	368
Disposals and (or) write offs	-	(5,059)	(4,469)	(9,528)
31 December 2016	46	19,644	13,064	32,754
Accumulated depreciation				
31 December 2015	-	19,750	12,324	32,074
Charge for the year	-	1,199	1,125	2,324
Depreciation of reclassified items	-	(1)	(52)	(53)
Depreciation of of disposals and (or) write offs	-	(5,056)	(4,056)	(9,112)
31 December 2016	-	15,893	9,341	25,234
Net book value				
31 December 2015	46	2,724	4,134	6,904
31 December 2016	46	3,751	3,723	7,520

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 27 INVESTMENT PROPERTY

As of 31 December 2016 and 2015 investment property of the Group and the Bank consisted of the following:

<u>The Group</u>		<u>The Bank</u>
	Costs	
4,025	31 December 2014	4,025
2,905	Taken over/Additions	2,905
(2,180)	Disposals	(2,180)
4,750	31 December 2015	4,750
	Accumulated depreciation and impairment	
324	31 December 2014	324
99	Depreciation for the year	99
(100)	Disposals	(100)
323	31 December 2015	323
	Impairment loss	
541	31 December 2014	541
(225)	Reversal of impairment loss attributable to disposed assets	(225)
316	31 December 2015	316
	Costs	
4,750	31 December 2015	4,750
572	Taken over/Additions	572
(1,419)	Disposals	(1,419)
3,903	31 December 2016	3,903
	Accumulated depreciation and impairment	
323	31 December 2015	323
101	Depreciation for the year	101
(42)	Disposals	(42)
382	31 December 2016	382
	Impairment loss	
316	31 December 2015	316
316	31 December 2016	316
	Net book value	
4,111	31 December 2015	4,111
3,205	31 December 2016	3,205

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 2016 and 31 December 2015.

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 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 28 OTHER ASSETS, NET

The Group			The Bank	
2016	2015		2016	2015
		Financial other assets		
880	777	Advances paid for assets to be leased	880	777
		Amounts of executed bank transfers not yet settled against		
33,036	26,190	customers' accounts	33,036	26,190
30	55	Amounts outstanding for clearance	30	55
1,693	1,531	Accrued income	2,520	2,263
34	37	Current lease receivable	34	37
2,838	1,318	Other financial assets	2,838	1,318
38,511	29,908	Total other financial assets	39,338	30,640
		Non financial other assets		
626	552	Assets not yet leased	626	552
5,915	3,925	Deferred expenses	5,907	3,920
35	89	Tax receivables	-	89
2,516	5,146	Other assets, net of impairment allowances	1,869	2,596
9,092	9,712	Total non financial other assets	8,402	7,157
47,603	39,620	Total other assets, net	47,740	37,797

As at 31 December 2016 the balance of other assets to be recovered after more than twelve month after the reporting period are EUR 1,255 thousand (EUR 1,097 thousand at 31 of December 2015).

NOTE 29 DUE TO CREDIT INSTITUTIONS

The Group			The Bank	
2016	2015		2016	2015
991,925	849,934	Falling due within one year	991,925	849,934
378,896	243,000	Falling due after one year	378,896	243,000
1,370,821	1,092,934	Total amounts due to credit institutions	1,370,821	1,092,934

NOTE 30 DEPOSITS FROM THE PUBLIC

The Group			The Bank	
2016	2015		2016	2015
4,343,316	3,896,321	Current and demand deposits	4,352,734	3,904,184
780,956	842,995	Term deposits falling due within one year	780,956	842,995
28,062	27,240	Term deposits falling due after one year	28,062	27,240
5,152,334	4,766,556	Total deposits from the public	5,161,752	4,774,419

The Group			The Bank	
2016	2015		2016	2015
1,939,471	1,792,347	Corporate customers' deposits and accounts	1,948,889	1,800,210
3,212,863	2,974,209	Individual customers' deposits and accounts	3,212,863	2,974,209
5,152,334	4,766,556	Total deposits from the public	5,161,752	4,774,419

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 3rd of July 2015. After 3rd 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 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 31 DEBT SECURITIES IN ISSUE

The Group			The Bank	
2016	2015		2016	2015
Debt securities in issue:				
Debt securities issued in 2011				
-	1,318	index linked debt securities due 2016	-	1,318
1,164	1,154	index linked debt securities due 2017	1,164	1,154
Debt securities issued in 2012				
-	1,580	index linked debt securities due 2016	-	1,580
2,314	2,257	index linked debt securities due 2017	2,314	2,257
Debt securities issued in 2013				
-	5,703	index linked debt securities due 2016	-	5,703
741	774	index linked debt securities due 2017	741	774
Debt securities issued in 2014				
3,310	3,357	index linked debt securities due 2017	3,310	3,357
519	500	index linked debt securities due 2018	519	500
8,048	16,643	Total debt securities in issue	8,048	16,643

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 32 ACCRUED EXPENSES, OTHER LIABILITIES AND PROVISIONS

The Group			The Bank	
2016	2015		2016	2015
		Other financial liabilities		
7,624	3,573	Amounts outstanding for clearance	7,624	3,575
2,163	1,773	Not settled clients funds from trading with securities	2,163	1,773
-	20,063	Deposit Insurance Fund amounts owed to Snoras depositors	-	20,063
875	1,252	Prepayments for finance lease	875	1,252
		Accounts payable for assets purchased under finance		
2,153	2,856	lease	2,153	2,856
9,131	3,929	Provisions for off balance sheet items	9,131	3,929
5,634	6,118	Factoring payables	5,634	6,118
12,303	2,500	Other financial liabilities	12,303	2,500
39,883	42,064	Total other financial liabilities	39,883	42,066
		Non financial liabilities		
103	15	Taxes	91	5
5,623	5,553	Vacation reserve accrual	5,597	5,531
2,482	2,685	Prepayments for operating lease	2,484	2,685
796	4,839	Other liabilities	710	4,370
9,004	13,092	Total other non financial liabilities	8,882	12,591
48,887	55,156	Total other liabilities and provisions	48,765	54,657

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 at the end of 2015 (0 at the end of 2016) represent funds received from the state enterprise Indėlių ir Investicijų Draudimas but not yet distributed to the Bank Snoras depositors. The agreement expired in 2016 and remaining not claimed funds have been transferred back to Indėlių ir Investicijų Draudimas.

Increase of *Other financial liabilities* was due to delay in payment to merchants in cards business at the year end of 2016. The amount has been cleared during the next working day.

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.

In 2014 the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania conducted a tax inspection of the Bank. A tax dispute regarding thin capitalization rule has been started. In 2014 the bank made a profit tax and deferred profit tax provisions (more information is provided in the Note 3 section *Tax and deferred tax*) as well as EUR 3,505 thousand for fines (reported in the Income statement line *Other administrative expenses* and the Balance sheet line *Other liabilities*). The dispute has been closed at the end of 2016 in favour of the Bank. In 2016 the Bank reversed all the above mentioned provisions.

The Group			The Bank	
2016	2015		2016	2015
		Accrued financial liabilities		
367	9	Accrued financial liabilities	367	9
		Non financial liabilities		
168	206	Deffered income	168	206
14,688	9,596	Other accrued expenses	14,570	9,423
15,223	9,811	Total accrued expenses	15,105	9,638

In 2016 the Bank has made a provision amounting to EUR 3,242 thousand for the onerous contract reported under the Income statement line *Rent and maintenance of premises* as well as Balance sheet line *Other accrued expenses*. More information regarding onerous contracts is provided in the Note 3 section *v) Provisions*

As at 31 December 2016 the balance of other liabilities and provisions to be settled after more than twelve month after the reporting period are EUR 10,161 thousand (EUR 5,428 thousand as at 31 December 2015).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 33 SHAREHOLDERS' EQUITY

As of 31 December 2016 and 2015 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 2016 amounted to EUR 637 thousand (2015: EUR 637 thousand) for the Bank and EUR 637 thousand (2015: 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 2016 legal reserve was EUR 138,868 thousand (2015: EUR 120,737 thousand) for the Bank and EUR 139,535 thousand (2015: EUR 121,280 thousand) for the Group, in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses.

Financial assets revaluation reserve (deficit) represents available for sale securities revaluation gain (loss). The financial assets reserve movement in 2016 amount consists of the following:

The Group			The Bank	
2016	2015		2016	2015
13	162	Government securities – change in revaluation	13	160
19	58	Government securities - amortization of revaluation	19	58
-	15,866	Equity securities – change in revaluation reserve (note 23)	-	15,866
(15,864)	-	Recognised result in income statement (note 23)	(15,864)	-
2,375	(2,412)	Tax recognised in equity (note 13)	2,375	(2,412)
(13,457)	13,674	Net change in available for sale investments, net of deferred tax	(13,457)	13,672

As of 31 December 2016 general and other reserves represent general reserve for possible losses in amount of EUR 2,704 thousand (2015: EUR 2,704 thousand), that can only be offset with the current losses and share based compensation reserve in amount of EUR 800 thousand (2015: EUR 472 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 2016 were EUR 800 thousand (2015: EUR 472 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 2016 and 2015 the single shareholder is as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 34 ASSETS UNDER MANAGEMENT

The Group			The Bank	
2016	2015		2016	2015
7,713	8,992	Customers funds	-	-
198,754	182,965	Financial instruments acquired at customer account	-	-
673,572	665,730	Accounts receivable from customer assets managed on trust basis	-	-
880,039	857,687	Total assets under management	-	-

All assets management services are performed by UAB "SEB investicijų valdymas". For the year ended 31 December 2016 the management fee for funds management amounted to EUR 6,449 thousand (2015: EUR 6,413 thousand) and it is included in *Net fee and commission income* line in the income statement.

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 2016:

	The Group	The Bank
Tier 1 capital (less intangible assets)	657,385	655,514
Tier 2 capital	7,378	7,376
of which IRB provision excess	7,356	7,356
Less deductible investments	-	-
Less IRB provision shortfall	-	-
Risk weighted assets	3,411,093	3,411,762
of which risk weighted assets due to transitional capital requirements	-	-
Capital adequacy ratio before adjustment of capital requirements according to Basel II requirements as of 31 December 2016	19.49%	19.43%
Capital adequacy ratio according to Basel II requirements as of 31 December 2016	19.49%	19.43%

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:

	The Group	The Bank
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	-	-
Capital adequacy ratio before adjustment of capital requirements according to Basel II requirements as of 31 December 2015	22.57%	22.43%
Capital adequacy ratio according to Basel II requirements as of 31 December 2015	22.57%	22.43%

As at 31 December 2016 and 2015 the Bank and the Group were compliant with the capital adequacy requirements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016:

The Group			Rates	The Bank	
Position	Percentage of capital	Currency		Position	Percentage of capital
(6,077)	(0.91)	U.S. Dollars (USD)	1.0453	(6,077)	(0.92)
20	0.00	Canadian Dollars (CAD)	1.4154	20	0.00
19	0.00	Russian Rubles (RUB)	63.2555	19	0.00
197	0.03	The remaining long positions	N/A	197	0.03
(42)		The remaining short positions	N/A	(42)	(0.01)
6,119	0.92	Open long position	N/A	6,119	0.92

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)
5,716	0.81	Open long position	N/A	5,733	0.82

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 2016 and 2015 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	2016	2015
Effect to the market value of shareholders equity (delta 1%)	22,265	22,931
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Bank)	528	875
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Group)	528	875

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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	
2016	2015		2016	2015
1,724	1,969	Interest rate risk (stand-alone)	1,724	1,969
285	195	Credit spread risk (stand-alone)	285	195
5	18	Foreign exchange risk (stand-alone)	5	18
386	1,865	Equity price risk (stand-alone)	386	1,865
(636)	(206)	Diversification effect	(636)	(206)
1,764	3,841	Total	1,764	3,841

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

In 2016, the market VaR dropped compared to 2015 mainly due to Visa Europe equity position, that was sold out to Visa Inc. (In 2015 it was announced that Visa Inc. 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 2016:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	3,929,924	205,544	735,563	4,871,031
Finance lease receivable, net	449,010	21,638	6,707	477,355
Debt securities	76,871	154,783	146,537	378,191
Interbank deposits and net loans	11,602	4	-	11,606
Off balance sheet assets	789,170	141,168	330,925	1,261,263
Total interest rate sensitive assets	5,256,577	523,137	1,219,732	6,999,446
Liabilities				
Term deposits	780,998	26,145	1,876	809,019
Interbank deposits and loans	701,637	266,627	112,268	1,080,532
Other liabilities	6,980	500	-	7,480
Off balance sheet liabilities	606,989	196,531	457,743	1,261,263
Total interest rate sensitive liabilities	2,096,604	489,803	571,887	3,158,294
Gap	3,159,973	33,334	647,845	3,841,152
Assets, non sensitive to interest rate				1,779,756
Liabilities and equity, non sensitive to interest rate				5,620,908

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2015:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
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
Total interest rate sensitive assets	4,922,987	560,539	956,677	6,440,204
Liabilities				
Term deposits	857,826	23,206	3,897	877,068
Interbank deposits and loans	681,555	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
Total interest rate sensitive liabilities	2,040,224	467,488	270,484	2,778,196
Gap	2,882,763	93,051	686,194	3,662,008
Assets, non sensitive to interest rate				1,386,501
Liabilities and equity, non sensitive to interest rate				5,047,607

The table below provides the Bank's interest rate gap analysis as of 31 December 2016:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	3,929,924	205,544	735,563	4,871,031
Finance lease receivable, net	449,041	21,657	6,707	477,405
Debt securities	76,871	154,783	146,360	378,014
Interbank deposits and net loans	11,602	4	-	11,606
Off balance sheet assets	789,170	141,168	330,925	1,261,263
Total interest rate sensitive assets	5,256,608	523,156	1,219,555	6,999,319
Liabilities				
Term deposits	780,998	26,145	1,876	809,019
Interbank deposits and loans	701,637	266,627	112,268	1,080,532
Other liabilities	6,980	500	-	7,480
Off balance sheet liabilities	606,989	196,531	457,743	1,261,263
Total interest rate sensitive liabilities	2,096,604	489,803	571,887	3,158,294
Gap	3,160,004	33,353	647,668	3,841,025
Assets, non sensitive to interest rate				1,786,028
Liabilities and equity, non sensitive to interest rate				5,627,053

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2015:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
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
Total interest rate sensitive assets	4,923,014	560,565	955,751	6,439,330
Liabilities				
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
Total interest rate sensitive liabilities	2,048,084	467,488	270,484	2,786,056
Gap	2,874,930	93,076	685,268	3,653,274
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 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 38 COMPLIANCE WITH REGULATORY REQUIREMENTS

As of 31 December 2016 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 2016**

	2016	2015
Interest income	116,849	119,666
Interest expenses	(30,126)	(40,297)
Net interest income	86,723	79,369
Impairment loss on loans	7,939	(6,142)
Impairment reversals on lease portfolio	(3,867)	1,558
Provisions for guarantees and other off balance sheet items	(4,846)	(336)
Other impairment losses	(17)	(3)
Total impairment losses	(791)	(4,923)
Net interest income after provisions	85,932	74,446
Net service charges and other income	57,988	52,549
Net gain (loss) on equity investments	21,449	4,500
Net gain on operations with debt securities and financial instruments	2,265	2,394
Dividend income from subsidiaries	2,357	-
Net foreign exchange gain	11,885	15,333
Staff costs	(41,939)	(40,803)
Other administrative expenses	(39,773)	(37,062)
Profit before income tax	100,164	71,357
Income tax	(5,583)	(10,044)
Net profit for the year	94,581	61,313
Attributable to:		
Owners of the Bank	94,581	61,313
Non controlling interest	-	-
	94,581	61,313
Earnings per share, attributable to equity holders of the parent (EUR):	6.13	3.97

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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" entity
for the year ended 31 December 2016**

	<u>2016</u>	<u>2015</u>
Net profit for the year	94,581	61,313
<i>Items that may subsequently be reclassified to the income statement</i>		
Net gain (realised result) on available for sale assets	(15,851)	16,028
Amortisation of financial assets revaluation reserve of reclassified financial assets	19	58
Income tax relating to the components of other comprehensive income	2,375	(2,412)
<i>Items that will not be reclassified to the income statement</i>	-	-
Total other comprehensive income	(13,457)	13,674
Total comprehensive income	81,124	74,987
Attributable to:		
Owners of the Bank	81,124	74,987
Non controlling interest	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016**

	2016	2015
Assets		
Cash in hand	117,812	133,256
Balances with the Central Banks	61,501	947,896
Due from banks, net	1,391,552	253,185
Government securities available for sale	16,663	17,263
Financial assets at fair value through profit and loss	361,528	352,696
Derivative financial instruments	124,735	109,623
Loans to credit institutions	7,550	12,236
Loans to customers	4,864,006	4,479,353
Finance lease receivable	475,402	396,137
Investment securities:		
- loans and receivables	-	53,985
- available for sale	3,268	15,924
Investments in subsidiaries	7,240	7,240
Intangible fixed assets	6,641	8,881
Property, plant and equipment	7,596	6,995
Non-current assets held for sale	189	298
Investment property	3,205	4,111
Deferred tax asset	24,927	28,571
Other assets, net	47,603	37,684
Total assets	7,521,418	6,865,334
Liabilities		
Amounts owed to the Central Banks	18	17
Amounts owed to credit institutions	1,370,821	1,092,934
Derivative financial instruments	122,031	109,031
Deposits from the public	5,156,898	4,769,626
Accrued expenses and deferred income	15,209	9,804
Income tax payable	4,292	10,467
Debt securities in issue	8,048	16,643
Other liabilities and provisions	48,881	54,716
Total liabilities	6,726,198	6,063,238
Equity		
Equity attributable to equity holder of the parent		
Paid in capital	299,564	299,564
Reserve capital	637	637
Financial assets revaluation reserve	36	13,493
Legal reserves	139,154	121,023
General and other reserves	3,504	3,176
Net income for the period and retained earnings	352,325	364,203
	795,220	802,096
Non controlling interest	-	-
Total equity	795,220	802,096
Total liabilities and equity	7,521,418	6,865,334

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016**

	Equity attributable to the owners of the Bank								
	Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total before non controlling interest	Non controlling interest	Total
31 December 2014	299,634	637	(181)	101,791	3,150	387,018	792,049	-	792,049
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	-	-	-
Share-based compensation	-	-	-	-	472	-	472	-	472
Transfer to reserves	-	-	-	19,233	-	(19,233)	-	-	-
Dividends to shareholders	-	-	-	-	-	(65,341)	(65,341)	-	(65,341)
31 December 2015	299,564	637	13,493	121,023	3,176	364,203	802,096	-	802,096
Net change in available for sale investments, net of deferred tax	-	-	(13,476)	-	-	-	(13,476)	-	(13,476)
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	19	-	-	-	19	-	19
Net income for the period	-	-	-	-	-	94,581	94,581	-	94,581
<i>Net income recognized directly in equity</i>	-	-	(13,457)	-	-	94,581	81,124	-	81,124
Adjustment of share capital due to conversion to euro	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	(472)	472	-	-	-
Dividends to shareholders	-	-	-	-	-	(88,800)	(88,800)	-	(88,800)
Share-based compensation	-	-	-	-	800	-	800	-	800
Transfer to reserves	-	-	-	18,131	-	(18,131)	-	-	-
31 December 2016	299,564	637	36	139,154	3,504	352,325	795,220	-	795,220

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016**

	2016	2015
Cash from operating activities		
Interest income received	112,025	114,960
Interest expenses paid	(32,386)	(42,612)
Net foreign currency exchange gain	10,549	12,680
Net gain (loss) in securities trading and financial instruments	2,710	(2,467)
Net (loss) gain in derivatives trading	(2,112)	1,468
Net commission and service income	58,179	51,912
Staff costs	(39,838)	(39,259)
Other payments	(28,352)	(26,411)
Net cash from operating activities before change in operating assets	80,775	70,271
Changes in operating assets		
Decrease in compulsory balances with the Central Bank	11,064	665,458
Decrease (increase) in due from banks and loans to credit institutions	163,174	(155,140)
Increase in loans to customers	(376,858)	(184,171)
Increase of finance lease receivable	(82,113)	(2,277)
Increase in other current assets	(2,076)	(14,470)
Net change in operating assets	(286,809)	309,400
Changes in operating liabilities		
Increase in deposits from public	387,583	300,647
Increase (decrease) in accrued expenses, deferred income and other liabilities	(16,926)	6,046
Net change in operating liabilities	370,657	306,693
Net cash from operating activities before income tax	164,623	686,364
Income tax paid	(5,807)	(2,662)
Net cash from (to) operating activities after income tax	158,816	683,702
Cash flow from (used in) investing activities		
Acquisition of tangible and intangible fixed assets, net	(4,722)	(2,575)
Acquisition of Government securities available for sale	(88)	-
Sale of Government securities available for sale	729	827
Dividends received from subsidiaries	2,357	-
Acquisition of other investment securities	(610,027)	(538,519)
Sale of other investment securities	676,523	544,042
Cash flow from investing activities	64,772	3,775
Cash flow from financing activities		
Dividends paid to the shareholder	(88,800)	(65,341)
Increase in amounts owed to the Central Banks	1	-
(Decrease) increase in amounts owed to credit and financial institutions	280,047	(177,981)
Repurchased own issued debt securities	(8,226)	(4,357)
Interest paid for own issued debt securities	(530)	(289)
Cash received (used in) financing activities	182,492	(247,968)
Net increase (decrease) in cash/cash equivalents	406,080	439,509
Cash/cash equivalents 1 January	1,106,063	666,554
Cash/cash equivalents 31 December	1,512,143	1,106,063
Specified as follows:		
Balance available for withdrawal with the Central Banks	2,812	878,143
Overnight deposits	4,055	-
Cash on hand	117,812	133,256
Current accounts with other banks	1,387,464	94,664
	1,512,143	1,106,063

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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	
2016	2015			2016	2015
		Outstanding loan amount	0.00-3.50		
26,803	167,709	at the year end		26,803	167,709
		Derivative financial instruments	-		
6	-	at the year ended		6	-
320	37	Other assets at the year end	-	312	37
		Outstanding deposit amount	min -0.119		
34,706	21,784	at the year end	max 5.49	34,706	21,784
109	3,530	Other liabilities at year end		67	3,480
5	54	Unused granted overdraft facilities	11	5	54
22	(109)	Guarantees received at the year end	-	22	(109)
86	93	Interest income		86	93
(33)	(5)	Interest expense		(33)	(5)
		Other services received and cost			
(831)	(239)	incurred from SEB group, net		(345)	443

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

The Group			Interest rate %	The Bank	
2016	2015			2016	2015
		Outstanding loan amount			
1,344,863	5,347	at the year end	0-3.50	1,344,863	5,347
		Derivative financial instruments	-		
99,328	83,212	at the year ended		99,328	83,212
26	33	Other assets at the year end	-	26	33
		Outstanding deposit amount	min -0.119		
1,255,138	963,843	at the year end	max 5.49	1,255,138	963,843
28,722	34,051	Other liabilities at year end		28,722	34,051
5	4,019	Unused granted overdraft facilities	11	5	4,019
10,284	7,642	Guarantees issued at the year end	-	10,284	7,642
329,013	(131,944)	Guarantees received at the year end	-	329,013	(131,944)
723	(810)	Interest income	-	723	(810)
(14,996)	(17,996)	Interest expense	-	(14,996)	(17,996)
		Other services received and cost			
889	31	incurred from SEB group, net	-	889	31

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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	
		2016	2015
Outstanding loan amounts at year end:			
UAB "SEB investicijų valdymas"	3.5	51	59
Outstanding deposit amounts at year end:			
UAB "SEB Venture Capital"	-	4,564	3,071
UAB "SEB investicijų valdymas"	-	4,853	4,792
Other assets at year end	-	827	841
Interest income	-	45	18
Dividend income	-	3893	6,855
Other services received and cost incurred from subsidiaries, net	-	3223	3,569

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

The Group		Interest rate %	The Bank	
2016	2015		2016	2015
-	1,140	-	-	-
-	45	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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	
2016	2015			%	2016
		Outstanding loan amount			
536	784	at the year end	0.766-3.00	536	784
-	22	Finance lease receivable	-	-	22
		Outstanding deposit amount			
507	542	at the year end		507	542
		Commitments to grant loans			
32	29	at the year end	11.00-14.00	32	29
876	862	Payroll	-	876	862
267	262	Social security	-	267	262
10	5	Interest income	-	10	5
2	1	Other income, net	-	2	1

NOTE 40 ASSETS CLASSIFIED AS HELD FOR SALE

As of 31 December 2016 and 2015 major amount of the Group's non-current assets held for sale comprise of leased and subsequently foreclosed assets held for sale, 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 2015	Foreclosed or returned	Sold	Net value as of 31 December 2016
Manufacturing equipment	169	-	-	169
Real estate	129	-	(109)	20
	298	-	(109)	189

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

The Group			The Bank	
2016	2015		2016	2015
		Foreclosed assets or assets returned after		
1,419	1,566	termination of agreements	1,419	1,566
(1,230)	(1,268)	Impairment losses	(1,230)	(1,268)
189	298	Foreclosed assets or assets returned after termination of agreements, net	189	298

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

NOTE 41 CONTINGENCIES AND COMMITMENTS

The Group			The Bank		
2016	2015		2016	2015	
1,069,202	976,408	Agreements to grant loans	1,069,202	976,408	
238,384	134,131	Financial guarantees issued	238,384	134,131	
40,566	32,602	Letters of credit issued	40,566	32,602	
15,084	11,275	Commitments to purchase assets	15,084	11,275	
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 2016 and 2015. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

Other commitments

The table below presents operating lease commitments for the years 2016 and 2015 when the Group and the Bank is lessee:

The Group			The Bank		
2016	2015		2016	2015	
		The total of future minimum operating lease commitments under non-			
31,611	36,764	cancellable operating leases:	31,611	36,764	
7,676	7,983	up to 1 year	7,676	7,983	
18,693	22,272	1-5 years	18,693	22,272	
5,242	6,509	Over 5 years	5,242	6,509	
		The total of future minimum sublease payments to be received under non-			
(4,656)	(2,205)	cancellable subleases	(4,755)	(2,329)	
		Operating lease and sublease payments recognised in the income			
		statement:			
11,539	8,415	minimum operating lease payments	11,539	8,415	
(1,168)	(1,093)	sublease payments	(1,198)	(1,128)	

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		
2016	2015		2016	2015	
1,679	1,019	Short term deferred income (up to 1 year)	1,705	1,045	
2,977	1,186	Long term deferred income (up to 5 years)	3,050	1,284	
4,656	2,205	Total future lease and rental payments receivable under non-cancellable operating lease	4,755	2,329	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(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 2016 are subject to offsetting, enforceable master netting arrangements and similar agreements:

Enforceable master netting arrangement and similar arrangement						
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets recognised in the balance sheet	Related amounts not set off in the balance sheet	Cash collateral received	Net amount
Assets						
Derivative assets	1,038,609	912,569	126,040	255	-	125,785
TOTAL	1,038,609	912,569	126,040	255	-	125,785

Enforceable master netting arrangement and similar arrangement						
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities recognised in the balance sheet	Related amounts not set off in the balance sheet	Cash collateral pledged	Net amount
Liabilities						
Derivative liabilities	1,036,458	912,569	123,889	255	-	123,634
TOTAL	1,036,458	912,569	123,889	255	-	123,634
NET	2,151	-	2,151	-	-	2,151

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
Assets						
Derivative assets	1,161,871	1,050,949	110,922	1,306	-	109,616
TOTAL	1,161,871	1,050,949	110,922	1,306	-	109,616

Enforceable master netting arrangement and similar arrangement						
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities recognised in the balance sheet	Related amounts not set off in the balance sheet	Cash collateral pledged	Net amount
Liabilities						
Derivative liabilities	1,163,002	1,050,943	112,059	1,306	-	110,753
TOTAL	1,163,002	1,050,943	112,059	1,306	-	110,753
NET	-1,131	6	-1,137	-	-	-1,137

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in EUR thousand unless otherwise stated)

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 2016 the Bank has not issued non-equity securities issues.

After 31 December 2016 the Bank redeemed 5 non-equity securities issues with the nominal value of EUR 2.167 million.

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

The public company AB SEB bankas (further – the Bank), following the wording of Article 22 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 2016 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
Principle I: Basic Provisions		
The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
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	
Principle II: The corporate governance framework		
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.		

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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.¹</p>	<p>YES/ NO</p>	<p>Not all recommendations/ provisions of these principles are adhered to at full extent (comments at each recommendation/ provision).</p>
<p>2.5. Company’s management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.²</p>	<p>YES</p>	<p>The board (executives directors) consists of 5 (five) members. The Supervisory Council consists of 8 (eight) members.</p>

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

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

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.³</p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>YES</p>	<p>Provisions of the present recommendation are implemented by disclosing information to shareholders on candidates to the Supervisory Council of the Bank. 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 European Central Bankas and 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</p>

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

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(All amounts in EUR thousands unless otherwise stated)

		shareholders is not relevant.
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.	YES	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. 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.
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.	YES	
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.	YES	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.
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.	YES	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.

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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 sufficient⁴ number of independent⁵ 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"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 	<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>

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

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

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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>
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APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(All amounts in EUR thousands unless otherwise stated)

<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>NO</p>	<p>Comment at 3.6 and 3.7.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>NO</p>	<p>Comment at 3.6 and 3.7.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.⁶. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>NOT APPLICABLE</p>	<p>Comment at 3.6 and 3.7.</p>
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.⁸</p>	<p>YES</p>	<p>The Supervisory Council provides the general annual meeting of shareholders with comments and proposals regarding the strategy of the Bank's activities, its annual consolidated financial statements, draft profit (loss) appropriation, the consolidated annual report of the Bank as well as the activities of the Management Board and President of the Bank, also, it performs other functions of supervising the activities of the Bank and its managing bodies attributed to the competence of the Supervisory Council.</p>

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

⁷ See Footnote 3.

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

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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>	<p>YES/ NO</p>	<p>According to the data available to the Bank, each member of the Supervisory Council acts in good faith with regard to the company, abiding by the interests of the company and not those of his/her own or any third party, aiming to maintain his/her independence. However, the provision regarding independent members of the Supervisory Council is not observed as there are no such independent members.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>YES</p>	<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>	<p>YES</p>	
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>YES/ NO</p>	<p>YES - the Supervisory Council approves the Requirements for internal lending and lending to persons related to the bank, establishes maximum limits for of such lending. However, the provision of the majority vote of independent members is not observed, because, as it has already been mentioned above, there are no independent members in the Supervisory Council.</p>

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

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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 bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	YES	
<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees¹¹. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	YES/ NO	<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>

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

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

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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 2016

(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"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>YES</p>	<p>The Remuneration and Human Resource Committee is in charge of the nomination committee functions as provided in 4.7.</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"> • 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 	<p>YES</p>	<p>The Remuneration and Human Resource Committee submits proposals to the Bank's Supervisory Council regarding the Remuneration Policy of the Bank's Group and amendments thereof, as well as the list of employees accepting the risk of the Bank's Group and other related issues. The Remuneration Policy of the Bank's Group includes all forms of remuneration, including fixed pay and variable pay forms. The Remuneration and Human Resource Committee also submits proposals to the Bank's Supervisory Council regarding the remuneration of the President and Vice-Presidents, members of the Management Board, heads of</p>

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(All amounts in EUR thousands unless otherwise stated)

<p>long-term interests of the shareholders and the objectives set by the collegial body;</p> <ul style="list-style-type: none"> • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>	<p>YES</p> <p>YES</p> <p>NO</p>	<p>the Internal Audit, Compliance and Risk Control.</p> <p>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> <p>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>The Remuneration and Human Resource Committee prepares long-term employee incentive programs and submits thereof to the Bank's Supervisory Council for approval.</p> <p>There is no such practice. The Remuneration and Human Resource Committee is accountable to the Bank's Supervisory Council, members of which are the representatives of the sole shareholder of the Bank, but when performing of particular committees functions i.e.</p>
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APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(All amounts in EUR thousands unless otherwise stated)

<p>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 2016

(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>Principle V: The working procedure of the company’s collegial bodies</p> <p>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.</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 month¹².</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>

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

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	YES	The Bank's authorised capital consists of ordinary registered shares granting equal voting rights to all holders of the Bank's shares.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	NOT APPLICABLE	The Bank effects public placement of bonds only.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. ¹³ All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	NO	The Bank's Articles of Association do not establish criteria for major transactions based on which criteria transactions would be selected that require an approval of the general shareholders' meeting.

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

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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 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 2016

(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>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.</p>	<p>YES</p>	<p>The remuneration statement is made available to the public at least once a year together with the annual financial statements or by a separate notification and shall also be available on the Bank's website.</p>

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information. 	<p>YES</p>	<p>The remuneration statement, in compliance with the Bank's secret and personal data protection requirements, includes only information required by the legal acts, whereas other information, in Bank's opinion, is not to be placed in public domain from a commercial point of view.</p>

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

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

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		<p>2. variable pay portions and all other non-cash benefits' allocation reasons and criteria.</p>
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	<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 2016

(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 2016.</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 2016

(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"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 	<p>NO</p>	<p>There is no such practice.</p>
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	<p>NO</p>	<p>There is no such practice.</p>
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	<p>NO</p>	<p>There is no such practice.</p>

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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>Principle IX: The role of stakeholders in corporate governance</p> <p>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>YES</p>	
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.</p>	<p>YES</p>	
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	<p>YES</p>	

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

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>YES</p>	

APPENDIX 1 TO CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016

(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>