AB DNB Bankas

CONSOLIDATED ANNUAL REPORT,
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS

Building a better working world

UAB „Ernst & Young Baltic"
Subačiaus g. 7
LT-01302 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Subačiaus St. 7
LT-01302 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

Independent auditor's report to the shareholder of AB DNB Bankas

Report on the Financial Statements

We have audited the accompanying financial statements of AB DNB Bankas, a public limited liability company registered in the Republic of Lithuania (hereinafter "the Bank"), and the consolidated financial statements of the Bank together with its subsidiaries (hereinafter the "Group"), which are presented on pages 27 - 113 and comprise the statements of financial position as at 31 December 2014, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements, presented on pages 27 - 113, present fairly, in all material respects, the financial position of AB DNB Bankas and the Group as at 31 December 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Bank and the Group taken as a whole. The financial information of the Financial group in Note 41 *Compliance with regulatory requirements* is presented for the purposes of additional analysis and is not a required part of the financial statements mentioned above. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is properly prepared in all material respects in relation to the financial statements taken as whole.

Furthermore, we have read the accompanying Group's Consolidated Annual Report for the year ended 31 December 2014, presented on pages 4 - 26, and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2014.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis
Auditor's licence
No. 000003

The audit was completed on 20 February 2015

AB DNB BANKAS' GROUP CONSOLIDATED 2014 ANNUAL REPORT

1. Reporting period covered by this report

This annual consolidated report covers the period from 1 January 2014 to 31 December 2014.

2. contact details

Name of the Bank	*AB DNB Bankas*
Legal status	Joint stock company
Date and place of registration	Registered with the Bank of Lithuania on 13 September 1993, registration No. 29
Company code	112029270
Office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Telephone number	(+370 5) 239 34 44
Fax number	(+370 5) 213 90 57
E-mail	info@dnb.lt
Website	www.dnb.lt

3. Main activities

AB DNB Bankas (hereinafter referred to as the "Bank" or the "Issuer"") is a credit institution holding a license for and is engaged in acceptance of deposits and other repayable funds from unprofessional market players and lending, as well as provision of other financial services, and assumes the risks and liabilities related thereto.

The Bank shall provide the following financial services:

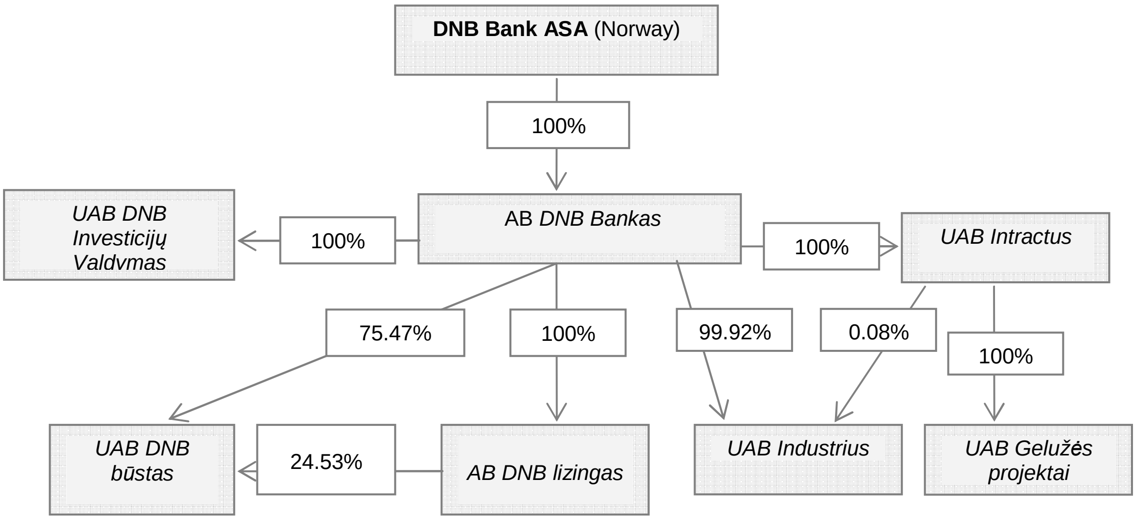
- taking of deposits and other repayable funds;
- lending (including mortgage loans);
- money transfers;
- issuing of payment cards and other payment vehicles and (or) execution of transactions with them;
- financial lease (leasing);
- issuing of financial indemnities and guarantees;
- trading, on its own account or on account of customers, in money market instruments (cheques, bills, certificates of deposits, etc.), foreign exchange, financial futures and options, foreign exchange and interest rate instruments, public trading securities, precious metals;
- investment services;
- financial brokerage (agent activities);
- cash handling;
- consultancy on credits and payments;
- rent of safe deposit lockers;
- currency exchange (cash);
- safekeeping and administration of monetary funds;
- advice to undertakings on the capital structure, manufacturing strategy and the issues related thereto as well as advice and services related to the reorganization, restructuring and acquisition of undertakings;
- provision of services related to issuance of securities;
- issuance and maintenance of electronic money;
- settlements of credit institutions (clearing);
- administration of investment funds or investment companies with a variable capital.

4. THE ORGANIZATIONAL STRUCTURE

On 31 December 2014 Norway's *DNB Bank ASA* was a sole direct shareholder of *AB DNB Bankas* that held 100 percent direct ownership of the Bank's shares and voting rights.

In Lithuania *AB DNB Bankas' group* (hereinafter referred to as "the Group") consisted of *AB DNB Bankas* and its *subsidiaries UAB DNB Investicijų Valdymas*, *AB DNB Lizingas, UAB DNB Būstas*, *UAB Industrius*, *and UAB Intractus* with its subsidiary *UAB Gėlužės projektai.* The data and contacts regarding the subsidiaries of the Bank are described in the section 13 of this report.

On 18 November 2014 AB DNB Bankas, securing Bank's as the creditor's interest, acquired 36,47 percent ordinary registered shares in AB „Informacinio verslo paslaugų įmonė".



AB DNB Bankas provided financial services to its customers in 60 branches across Lithuania as of 31 December 2014.

5. Structure of the authorized capital

On 31 December 2014 the authorized capital of the Bank was LTL 656,665,410 (six hundred fifty six million six hundred sixty five thousand four hundred ten). It is divided into 5,710,134 (five million seven hundred ten thousand one hundred thirty four) ordinary registered shares with LTL 115 (one hundred and fifteen) par value each.

The authorized capital of *AB DNB Bankas* has not changed during the reporting period.

On 31 December 2014 the authorized capital of *AB DNB Bankas* consisted of:

Type and class of shares	ISIN code of securities	Number of issued shares	Nominal value per share, LTL	Aggregate nominal value, LTL	Share in authorized capital, percent
Ordinary registered shares	LT0000100174	5,710,134	115	656,665,410	100.00

The entire authorized capital of *AB DNB Bankas* is paid up and no restrictions apply to the shares of the Bank as to their disposal.*AB DNB Bankas* had not issued any convertible securities.

AB DNB Bankas neither held its own shares nor did it sell the shares of its subsidiaries to the third parties in 2014.

No restrictions other than those provided by the legal acts, if any, apply to the securities of *AB DNB Bankas.* No other Issuer or other holders' requirements apply to the securities.

The history of the authorized capital formation:

Date	Authorized capital	Increase of the authorized capital	Description
2001	102,839,115	-	
2002	176,585,430	73,746,315	Increase of the authorized capital by additional contributions
2004	195,116,795	18,531,365	Increase of the authorized capital by additional contributions
2005	234,110,020	38,993,225	Increase of the authorized capital by additional contributions
2006	283,396,340	49,286,320	Increase of the authorized capital from undistributed profit
2006	311,735,790	28,339,450	Increase of the authorized capital by additional contributions
2007	363, 691,755	51,955,965	Increase of the authorized capital by additional contributions
2008	590,998,800	227,307,045	Increase of the authorized capital from undistributed profit and additional contributions
2009	656,665,410	65,666,610	Increase of the authorized capital by additional contributions

On 30 June 2011 Norway registered *DNB Bank ASA,* then operating under *DnB NOR Bank ASA* name, has acquired 100 percent of shares of the Bank from *Bank DnB NORD A/S*, controlled by *DnB NOR Bank ASA* and registered in Denmark, thus becoming the sole direct shareholder of the Bank owning 100 percent of its shares and voting rights.

6. Shareholders and their rights

On 31 December 2014 Norway's *DNB Bank ASA was* the sole direct shareholder of *AB DNB Bankas* that held 100 percent of the Bank's registered authorized capital of LTL 656,665,410*.*

Shareholder	Office address	Type of the company	Code	Number of ordinary registered shares	Share of the authorized capital held and number of votes, percent	
					Owned	With associates
DNB Bank ASA	Dronning Eufemias gate 30, 0191 Oslo, Norway	Bank	984851006MVA	5,710,134	100	0

The shareholders of *AB DNB Bankas* shall have the following property rights:

- To receive a share of the profit of the Bank (dividend);
- To receive funds of AB DNB Bankas if the authorized capital of AB DNB Bankas is decreased on purpose to disburse funds of AB DNB Bankas to the shareholders;
- To receive a share of the assets of AB DNB Bankas in the event of liquidation;
- To receive shares free of charge when the authorized capital is increased from the Bank's own funds, except in the events stipulated in laws;
- In case the shareholder is a natural person, to devise and bequeath all or any part of the shares to one or several persons;
- To sell or otherwise transfer all or any part of the shares to the ownership of other persons in the procedure and under the conditions prescribed in laws;
- To exercise the pre-emption right in acquisition of the shares or convertible bonds issued by the Issuer unless the General Meeting decides to withdraw the pre-emption right from all the shareholders in the procedure prescribed in laws;
- To lend to AB DNB Bankas in the manner prescribed in laws; however, when borrowing from its shareholders, AB DNB Bankas shall not pledge its assets to the shareholders. When AB DNB Bankas borrows from a shareholder, the interest shall not be higher than the average interest rate offered by commercial banks of the place of residence or business of the lender effective on the date of conclusion of the loan agreement. Thus AB DNB Bankas and the shareholders shall be prohibited from negotiating a higher interest rate;
- Other property rights stipulated in laws.

The shareholders of *AB DNB Bankas* shall have the following non-property rights:

- To participate in the General Meetings of Shareholders;
- To cast the votes granted by the shares held in the General Meetings of Shareholder;
- To receive the information about the Bank to the extent specified in the Law on Companies;
- To appeal to the court for the compensation of the damage suffered by the Bank due to the failure to perform the obligations of the President and the Members of the Management Board of the Bank stipulated in laws and the Bylaws of the Bank, or to perform them duly, and in other cases stipulated in laws.
- Other non-property rights stipulated in laws.

Shares of AB DNB bankas are not admitted to trading on a regulated market.

Unless otherwise established by law, the shareholders of the Bank shall only hold an obligation to pay to the Bank the issue price for all subscribed shares under the established procedure.

The shareholders of *AB DNB Bankas* shall not have special control rights. No Bank's restrictions shall apply to the voting rights of the shareholders of the Bank.

AB DNB Bankas is not aware of any reciprocal agreements between the shareholders which might lead to any restrictions on the disposal of the Issuers securities and (or) voting rights.

7. ARRANGEMENTS THAT WOULD BE ENFORCED, CHANGED OR TERMINATED AS A RESULT OF CHANGE IN THE ISSUER'S CONTROL

On 31 December 2014 the following ISDA Master Agreements and TBMA/ISMA Global Master Repurchase Agreement, whereby the counterparties thereto have the right to terminate the transactions with the Issuer in case of a change in the Issuer's control, were in force:

– ISDA Master Agreement with *UBS Limited* dated 13 January 2006;
– ISDA Master Agreement with *UBS AG* dated 13 January 2006;
– ISDA Master Agreement with *Calyon* dated 15 November 2007;
– ISDA 2002 Master Agreement with *JPMorgan Chase Bank N.A.* dated 19 May 2008;
– ISDA Master Agreement with *Barclays Bank Plc.* dated 18 December 2008;
– ISDA 2002 Master Agreement with *Deutsche Bank AG* dated 19 February 2009;
– ISDA 2002 Master Agreement with *BNP Paribas S.A.* dated 22 June 2009;
– TBMA/ISMA Global Master Repurchase Agreement with *AB SEB Bankas* dated 29 October 2009;
– ISDA 2002 Master Agreement with *Svenska Handelsbanken AB (publ.)* dated 2 June 2010.

As of 31 December 2014 the Issuer also had the Finance Contract dated 13 March 2009 with the European Investment Bank, whereby the European Investment Bank has the right to terminate the Finance Contract in case of a change in the Issuer's control if, in the reasonable opinion of the European Investment Bank, such a change in the Issuer's control has or is likely to have a material adverse effect on the future repayment of the loan received under the Finance Contract.

The provisions of the aforementioned bilateral contracts are deemed confidential with regard to the Bank and the other parties involved and the disclosure thereof could cause damage to the Bank.

On 31 December 2014 the Issuer had no other significant arrangements that would be enforced, changed or terminated as a result of the change in the Issuer's control.

8. INFORMATION ON SECURITIES LISTED ON REGULATED MARKETS

None of the shares or debt securities issued by AB *DNB Bankas* or its subsidiaries were listed on regulated markets as at the end of 2014.

9. MAIN CHARACTERISTICS OF DEBT SECURITIES ISSUED FOR PUBLIC TRADING

As of 31 December 2014 the par value of debt securities issued by *AB DNB Bankas* for public trading constituted LTL15 million. All outstanding debt securities were made available for public trading during the issues. No restrictions apply to those securities as to their negotiability. The securities are non-convertible.

The main characteristics of the debt securities issued by the Issuer:

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Aggregate nominal value	Maturity	Coupons paid in 2014 (LTL)
Fixed rate notes issue No. 05/2015 (LT0000405052)	150,000	100 (LTL)	15,000,000 (LTL)	2015-05-07	10'000

10. INFORMATION ON RELEVANT AGREEMENTS WITH RELATED PARTIES

Information on relevant transactions with related parties are provided in Note 39 of the consolidated 2014 financial statements.

11. MATERIAL EVENTS OVER THE REPORTING PERIOD

Material events of *AB DNB Bankas* that took place in 2014:

On 6 February 2014 *AB DNB Bankas* notified that according to preliminary unaudited data calculated in accordance with International financial reporting standards, AB DNB Bankas earned a net profit of LTL 57.1 million (EUR 16.5 million) in the full year 2013. Net profit of *AB DNB Bankas 'group* in the full year 2013 was LTL 45.6 million (EUR 13.2 million). In the full year 2012 net profit of *AB DNB Bankas* was LTL 88.4 million (EUR 25.6 million) and the group's net profit was LTL 80.4 million (EUR 23.3 million).

On 12 March 2014 dr. Vygintas Bubnys, deputy chairman of the Management Board and executive vice – president of *AB DNB Bankas*, notified the Bank's Management Board that he will not resume his contract after the expiry of his third four year term in office due to personal reasons, the decision effective from 21 March 2014.

On 25 March 2014 *AB DNB Bankas* notified that on 24 March 2014 the sole shareholder of *AB DNB Bankas* Norway's *DNB Bank ASA*:

1. acknowledged the Bank's consolidated annual report and approved the set of annual financial statements - the separate and consolidated financial statements for the year ended 31 December 2013.

2. approved distribution of the profit (loss) of the Bank. It was decided to allocate the 2013 net result of LTL 57.1 million (EUR 16.5 million) to the distributable profit of the Bank equal to LTL 144.6 million (EUR 41.9 million). LTL 7.2 million (EUR 2.1 million) from the distributable profit shall be allocated to the obligatory reserve. The remaining part of the retained earnings of LTL 137.4 million (EUR 39.8 million) shall be transferred to the next financial year.

3. elected closed joint stock company „Ernst & Young Baltic“ as an audit firm to perform audit of the annual financial statements of the Bank for the year 2014 and authorized the president of the Bank to establish the other terms and conditions of the agreement on auditing services with the audit firm within the remuneration amount set by the sole shareholder;

4. re-elected to the Supervisory Council for a new four-year term of office:

4.1 Terje Turnes, the head of *DNB A/S* Baltic division;

4.2 Tony Samuelsen, executive vice president of *DNB A/S*;

4.3 Eline Skramstad, credit officer of *DNB A/S;*

4.4 Leif Rene Hansen, independent member.

On 24 March 2014 the Supervisory Council of the Bank re-elected Terje Turnes as the Chairman and Tony Samuelsen as the Vice-chairman of the Bank's Supervisory Council. The Supervisory Council also re-elected the six-member Management Board of the Bank, i.e. Bjørnar Lund, Ramūnas Abazorius, Vaineta Barevičiūtė, dr. Šarūnas Nedzinskas, Anne Birgitte Prestholdt and Per Weidemann for a new four-year-term in office.

In the meeting of the Bank's Management Board held on 24 March 2014 Bjørnar Lund was re-elected as the chairman of the Management Board and as the president of the Bank. Ramūnas Abazorius was elected as the vice-chairman of the Management Board. Ramūnas Abazorius, Vaineta Barevičiūtė, dr. Šarūnas Nedzinskas, Anne Birgitte Prestholdt and Per Weidemann were appointed as executive vice-presidents of the Bank.

On 25 March 2014 *AB DNB Bankas* presented 2013 financial statements that included audited separate and consolidated financial statements prepared in accordance with the International Financial Reporting Standards and consolidated annual report assessed by the auditors. The documents were approved by the Bank's sole shareholder Norway's *DNB Bank ASA* on 25 March 2014. The audited results of *AB DNB Bankas* for the full year 2013 did not differ from the previously reported preliminary data.

On 9 April 2014 *AB DNB Bankas* notified that on 8 April 2014 the Supreme Administrative Court of Lithuania satisfied the appeal of *AB DNB Bankas* voiding the decision of the Competition Council of the Republic of Lithuania No 2S-15 dated 20 December 2012 to fine the Bank LTL 8.6 million (EUR 2.49 million).

On 8 May 2014 *AB DNB Bankas* notified that according to preliminary unaudited data calculated in accordance with International financial reporting standards, *AB DNB Bankas* earned LTL 17.7 million (EUR 5.1 million) pre-tax profit in the first quarter of 2014 compared to LTL 13.3 million (EUR 3.8 million) in the same period of 2013. In the first quarter of 2014 *AB DNB Bankas* 'net profit was LTL 14.1 million (EUR 4.1 million). In the first quarter of 2013 *AB DNB Bankas* 'net profit was LTL 13.3 million (EUR 3.8 million).

On 3 July 2014 *AB DNB Bankas* notified that on 2 July 2014 the Supervisory Council elected Andrius Načajus to take the office of a member of the Bank's management board. A. Načajus will also serve as the executive vice-president of the Bank in charge of corporate banking starting August 4th after the necessary permission from the Bank of Lithuania is received. The market was also notified that after A. Načajus takes the seat on *AB DNB Bankas* management board, Mindaugas Tutlys, the head of *DNB Markets* Lithuania will be appointed to head DNB's pan-Baltic investment banking operations. Following the appointment he also retained his role as *DNB Markets* country head for Lithuania.

On 12 September 2014 the Board *of AB NASDAQ OMX Vilnius* at the request of the Issuer and following the provisions of item 19.1.8 of the Listing Rules of *AB NASDAQ OMX Vilnius ("Discontinuance of the listing of the security is requested by a body authorized by the issuer of the financial instruments, providing grounded reasons.")* decided to remove *AB DNB Bankas'* financial instrument LT0000405052 from the Bond List from 15 September 2014.

Full information on material events related with the Issuer's activities is presented to the Bank of Lithuania, *AB NASDAQ OMX Vilnius* Stock Exchange, Central storage facility, the daily Lietuvos Rytas, news agencies BNS and ELA and is available on the Bank's website www.dnb.lt. From 15 September 2014 after the Issuer's securities were delisted from regulated markets, the information on material events is presented to the Bank of Lithuania, Central storage facility and *AB DNB Bankas* website.

12. INFORMATION ON PERFORMANCE RESULTS

In 2014 *AB DNB Bankas* and all its subsidiaries operated profitably and reached the financial targets. This resulted from the increased business volumes in main business segments as well as focus on operating efficiency and loan portfolio quality.

In 2014 *AB DNB Bankas' group* signed new credit contracts (including leasing) worth of LTL 3.1 billion, i.e. LTL 663 million more than in 2013. The Group's consolidated net loan portfolio rose by 6.1 percent year-on-year to LTL 9.5 billion. The Group's loan portfolio to individuals rose by 5.1 percent year-on-year while the legal entities loan portfolio increased by 7.1 percent within the period.

With funds held by private individuals and legal entities held in their accounts at the Bank increasing, the deposit portfolio rose by 16.1 percent year-on-year up to LTL 7.3 billion. This resulted from the increasing number of the Group's customers that rose by 17 thousand and the euro introduction effect as many customers deposited cash before introduction of Lithuania's new currency. The Group was providing comprehensive range of financial services to 843 thousand customers.

The Group's assets rose by 8.6 percent year-on-year and stood at LTL 13.0 billion as of 31 December 2014.

In 2014, the net income (net interest income, net fees and commission, net profit (loss) from operations with securities and derivatives, net foreign exchange result and other income) of *AB DNB Bankas' group* amounted to LTL 382.2 million. The largest relative weight – 59.4 percent – of the operating income fell on the net interest income, which increased by 6.5 percent year-on-year. The net fees and commission income rose 3.5 percent year-on-year to LTL 97.9 million.

The focus on development of the self-service infrastructure for daily financial services and optimization of the customer service network in parallel helped the Group to increase further operating efficiency and further reduce the operating expenses despite higher costs related to the Euro introduction. As a result *AB DNB Bankas' group* operating and other expenses decreased by 4.6 percent in 2014 year-on-year to LTL 297.7 million.

In 2014, the Group set aside LTL 19.8 million for special provisions, the amount in line with the average long-term loan portfolio losses.

As a result *AB DNB bankas' group* consolidated profit before taxes rose 29.4 percent year-on-year to LTL 64.7 million and its net profit increased by 24.0 percent up to LTL 56.5 million during the same period.

In 2014, the Group's return on equity (ROE) was 3.9 percent and its cost/income ratio (CIR) made 77.9 percent.

Year	2011		2012		2013		2014	
	Group	Bank	Group	Bank	Group	Bank	Group	Bank
Return on equity (percent)	6,8	7,5	6,0	6,5	3,2	4,0	3,9	1,5
Cost/income (percent.)	53,6	52,9	67,4	66,4	85,7	84,9	77,9	78,7

In line with its business strategy, the Group consistently encouraged its customers to use modern electronic banking tools when handling daily finances to gradually focus the branch staff on consulting customers regarding savings, credits or other higher value added services. In this endeavor the Group upgraded its mobile banking that opened an option for customers to handle their daily finances effortlessly. The Group also invested in development of its self-service infrastructure increasing the number of DNB self-service zones to 56 from 22 over the year, primarily at locations with highest demand for this service. In parallel the Group continued its branch network optimization. Following the assessment of the performance and potential of each outlet, the number of branches was scaled down to 60 as at the end of 2014.

In 2014 the Group's customers could use the country's largest ATM network that embraces 539 ATMs DNB (188) and SEB (351) in 80 cities and towns due to the outstanding common network agreement. On top of that the Group's individual and corporate customers could deposit or withdraw cash from their payment card accounts in more than 2,000 terminals of UAB "Perlo paslaugos" across the country. Starting from June 2014 the Group's customers were offered a possibility to withdraw money from their payment cards in 80 outlets of Lietuvos *paštas and* 185 PayPost branches across Lithuania. *AB DNB Bankas* also launched *a* new cash-out service for DNB payment card holders to withdraw cash from their payment card account in the country's two largest shopping chains of IKI and MAXIMA. This variety of options was particularly convenient to customers in locations where there were no banking outlet, ATM or during off office hours.

In 2014 the Bank granted more than 180 thousand new payment cards to its individual and business customers so at the end of the year the number of outstanding DNB payment cards topped 520 thousand. The turnover of the payment cards rose almost 25 percent year-on-year to LTL 6.9 billion in 2014 due to increased number of active payment card users and higher average spending.

In line with increasing number of its payment cards the Group continued to develop the Bank's POS terminal network. In the full year 2014, 934 new partners began using DNB card acquiring service and 2, 150 new POS terminals were deployed. As a result, the total turnover of cards' acquiring service in 2014 rose 62 percent year-on-year to LTL 629 million.

Due to efforts to further improve user-friendliness and functionality of the internet banking system the number of customers using AB DNB Bankas internet banking services increased by 10 percent year-on-year in 2014 to 667 thousand. During that period 97.9 percent of all money transfers were executed via internet banking of *AB DNB Bankas* (94.1 per cent in 2013).

In order to maintain high quality of customer service, the Group continued to carry out a wide range of customer satisfaction surveys that covered all major aspects of customer interaction with the Bank. That helps to identify the Bank's strengths and set priority actions to ensure positive customer experiences, high level of product and customer service quality. According to the market research company "Dive Lietuva" data released in 2014 that covered the service quality in Lithuania's financial market, *AB DNB Bankas* was among top quality customer service providers on the local market for the fifth year running.

Retail banking

In line with the Group's strategy aimed at increasing the number of new and existing individual customers who choose DNB as their home bank the Group continued to focus on individual customer service quality and culture, implementation of customer segment approach that focuses on a more flexible response to customer needs and enhancement of the Bank's brand, service and product awareness during the year 2014. Consequently the number of individual customers of *AB DNB Bankas* since year-start rose by 19 thousand to 778 thousand.

Pursuing responsible lending practices the Bank continued to extend loans under "Your First Home" mortgage credit program which provides an option for the customers to repay the entire credit or part of it early without any additional charge or to defer a payment of credit principal. The competitive mortgage terms placed the Bank among the top lenders on Lithuania's new mortgage loan market in 2014.

In 2014 the Group launched a novelty to the local market - DNB program designed for young family needs. One of major elements of the program was specially trained family bankers ready to serve young families in the majority of DNB branches with first smart zone for children set up in one of the DNB outlet in Vilnius.

The Bank kept increasing the variety of services to life beginners designing a new DNB youth card VISA electron UP in the first quarter of 2014. The card added up to *AB DNB Bankas*' "UP" program intended to life-beginners enabling young people to rationally handle their finances also helping them to choose a career path. Thus, in 2014 the Bank continued its educational projects for life-beginners, i.e. LIFTAS to promote youth entrepreneurship at schools and universities and "Runway For Your Career" for those looking to start their carrier path more efficiently. *AB DNB Bankas* was one of the two commercial banks in Lithuania, which distributed to students‘identity cards and granted state-backed loans to finance their studies in 2014.

In response to the customers' need to use banking services at time of their choice, the Group began offering more services by telephone and on-line in 2014. From now on corporate customers are offered to book payment cards, BizKit corporate service package or salary transfer services by phone. Private individuals are offered to make term deposit agreement, acquire a payment card, accident insurance as well as make agreements on direct debit, standing orders, and SMS services by telephone. On top of it, the Bank's customers can submit on-line applications for leasing and consumer loans. With number of customers opting for lower-cost self- services, the branch staff was better positioned to allocate more time to customer consulting and sales of higher value-added services.

To provide customers with a range of different financial services at the Bank, *AB DNB Bankas* continued collaboration with ERGO Life Insurance SE and UAB DK PZU Lietuva insurance companies in the year 2014. As a result of active sales of insurance services more than 29 percent of new mortgage takers of *AB DNB Bankas* were insured with life insurance in the reporting period. New mortgage takers also were offered to insure their assets.

Corporate banking

The Group consolidated its strong position in corporate banking market in 2014 due to its long-term constructive relationships with its customers, improved focus on the service quality through assignment of customer service team of banking specialists to each large corporate and working in line with common guidelines applied in all DNB banks operating in the three Baltic states.

As a result the Group's loan portfolio extended to legal entities rose 7.1 percent in 2014 year-on year to LTL 5.18 billion. Credit volumes to manufacturing, construction, public administration, defense and compulsory social security sectors increased the most during the year while lending volumes to transport and other business activities sectors was lower compared to the previous year.

While providing comprehensive range of financial services to large corporates in 2014 *AB DNB Bankas* continued to pay prime attention to small and medium size enterprises (SMEs) offering the solutions to meet the specific needs for this business segment. In 2014, the Bank further developed “Kuriu verslą” ("I'm starting my own business") program to encourage entrepreneurship that covers all key stages in company establishing and developing: starting from the business idea, process planning, company setting up and establishment of the business start-up in the market. Over the reporting period more than 59 thousand people, interested to set up private business, have used DNB's on-line application or visited website www.kuriuversla.lt. To facilitate the start of their business during the first year, business start-ups were offered “Vitamins for start-ups" package of basic daily banking services free of charge. In the reporting year 2,743 newly set companies have used the solution. Due to the efforts as well as the option to open a cumulative banking account on-line, 34.3 percent of the newly registered young businesses in Lithuania chose AB *DNB Bankas* as their financial partner in 2014. DNB program “Kuriu verslą” won the award of the Ministry of Economy as the country's best initiative to promote entrepreneurship in 2014.

The agriculture and food processing sectors remained among the key strategic business lines for AB *DNB Bankas* over the reporting period. The Bank granted financing to farmers and agricultural companies for working capital and investments and continued cooperation with the state agricultural credit fund UAB *Žemės ūkio paskolų garantijos Fondas,* to extended credits backed by the guarantees of this institution. In response to farmers' needs, AB *DNB Bankas* extended credits to plant-growing, breeding, dairy and other types of farms to finance their working capital. As a result, in 2014 farmers could use collateral-free credit fast and easy to purchase fuel, feed or for other farming purposes. The Bank also continued cooperation with partners trading in goods for agricultural sector by offering much better financing conditions to farmers, agricultural companies and enterprises. The biggest advantage of these programs is that farmers are guaranteed to have exceptional financing conditions for their business development.

The Bank continued cooperation with UAB *Investicijų ir verslo garantijos* and extended loans backed by guarantees of this state institution.

Investment banking

AB DNB Bankas' investment banking activity includes trading in securities, liquidity management, funding arrangement for the Bank and its subsidiaries, full service brokerage services, provision of leverage solutions for private and corporate customers including derivative and structured products, as well as corporate finance services, including M&A advisory and fund-raising.

In 2014, the main sources of investment banking income were foreign exchange, securities brokerage and commission income from DNB Trade™ on-line platform. Foreign exchange turnover in 2014 exceeded LTL 14.7 billion and generated LTL 11.6 million income for the Bank.

Securities brokerage income of the Group made LTL 9.8 million on turnover of over LTL 14 billion in 2014.

The turnover through DNB Trade™ on-line platform was LTL 31.4 billion and generated LTL 2.3 million income. DNB Trade™ is an electronic real-time trading platform, which offers wide range of financial instruments worldwide including FOREX, equities (over 20 bourses), CFDs and futures.

13. SUBSIDIARIES

On 31 December 2014 *AB DNB Bankas* owned the following subsidiaries: *UAB DNB Investicijų Valdymas, AB DNB Lizingas, UAB DNB Būstas, UAB Industrius and UAB Intractus* with its subsidiary *UAB Gėlužės projektai.*

UAB DNB Investicijų Valdymas

Name	UAB DNB Investicijų Valdymas
Legal status	Limited company
Date and place of registration	Registered with the State enterprise Centre of Registers on 19 August 2003
Company code	226299280
Registered and actual office address	J. Basanavičiaus g. 26, Vilnius, Lietuvos Respublika
Telephone numbers	(+370 5) 239 3567
Fax number	(+370 5) 239 3473
E-mail	investicija@dnb.lt
Website	www.dnb.lt
Number of the permission to be engaged in the activities of a management company	VĮK –003

AB DNB Bankas' 100 percent owned subsidiary *UAB DNB Investicijų Valdymas* is engaged in management of pension and investment funds. It is the country's third largest asset management company in terms of assets.

As of the end of 2014 *UAB DNB Investicijų Valdymas* managed five second pillar pension funds, five third pillar pension funds and two investment funds.

At the end of 2014 assets under management of *UAB DNB Investicijų Valdymas* made LTL 895, 4 million (LTL 597.7 million in 2013). The company provided its services to 156 thousand customers.

Results of funds under management as at the end of 2014:

Title of the fund	Basics of investment strategy	Unit value change YTD	Benchmark change YTD
Second pillar pension funds			
DNB Pensija 1	Government debt securities, equity 0%	3.66%	5.58%
DNB Pensija 2	Equity up to 25%	7.32%	7.45%
DNB Pensija 3	Equity up to 50%	9.87%	9.29%
ERGO Konservatyvusis	Government debt securities	5.56%	5.73%
ERGO Balans	Equity securities up to 50%	5.36%	8.29%
Third pillar pension funds			
DNB papildoma konservatyvi pensija	Government debt securities, equity 0%	2.46%	5.58%
DNB Papildoma pensija	Equity up to 50%	9.34%	9.29%
DNB Papildoma pensija 100	Equity up to 100%	14.29%	14.68%
DNB papildoma darbuotojo pensija 25*	Equity up to 25%	-0.11%	0.66%
DNB papildoma darbuotojo pensija 50*	Equity up to 50%	-0.11%	0.99%
Investment funds			
DNB Liquidity fund	Short-term debt securities and deposits	0.36%	0.22%
DNB Equity fund of funds	Equity fund	14.81%	14.68%

*From 20 November 2014

AB DNB Lizingas

Name	*AB DNB Lizingas*
Legal status	Joint stock company
Date and place of registration	Registered with the State enterprise Centre of Registers on 6 March 1998
Company code	124385737
Registered office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Actual office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Telephone number	(+370 5) 239 3030
Fax number	(+370 5) 239 3031
E-mail	lizingas@dnb.lt
Website	www.dnb.lt

AB DNB Lizingas is the Bank's subsidiary that provides vehicle, agriculture machinery, equipment and real estate leasing services to corporates and private individuals. For customer convenience *AB DNB Lizingas* services are provided using the nation-wide *AB DNB Bankas* branch network. *AB DNB Bankas* is the sole shareholder of the leasing subsidiary owning 100 percent of its LTL 130 150 000 registered authorized share capital.

At the end of the reporting period *AB DNB Lizingas* leasing portfolio before provisions was LTL 429.4 million recording 7 percent growth compared to the same period the year before. The company's leasing portfolio to individuals rose 22.8 percent year-on-year to LTL 49.3 million. Its leasing portfolio for legal entities increased 5.2 percent to LTL 380.2 million as at the end of December 2014.

Responding to the market trends *AB DNB Lizingas* will continued to focus on further improvement of its customer service quality, increase of new sales as well as proper risk management and the quality of its leasing portfolio.

UAB DNB Būstas

Name	*UAB DNB Būstas*
Legal status	Limited liability company
Date and place of registration	Registered with the State enterprise Centre of Registers on 10 January 2007
Company code	300631876
Registered office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Actual office address	Švitrigailos str. 11M, LT-03228 Vilnius, Republic of Lithuania
Telephone number	(+370 5) 2499 277
Fax number	(+370 5) 2499 276
E-mail	info@dnbbustas.lt
Website	www.dnbbustas.lt

UAB DNB Būstas is a subsidiary of *AB DNB Bankas* that provides brokerage services in the country's real estate market. On 31 December 2014, AB *DNB Bankas* owned 75.47 percent of *UAB DNB Būstas* registered authorized capital of LTL 1,378, 000 and the remaining 24.53 percent, was owned by the Bank's subsidiary *AB DNB Lizingas.*

In 2014 UAB *DNB Būstas* carried out its activities in Vilnius, Kaunas, Klaipėda, Palanga, Šiauliai and the surrounding regions. At the end of the reporting period one real estate brokerage company and 50 individual brokers were providing real estate brokerage services under franchise agreements with *UAB DNB Būstas*. During the reporting period *UAB DNB Būstas* retained its leading position in the newly constructed residential segment and was among the largest real estate brokerage companies in terms of sales and number of listings.

In 2014 *UAB DNB Būstas* earned LTL 598 thousand net profit compared to LTL 392 thousand in the same period a year ago. *UAB DNB Būstas'* brokers intermediated in real estate assets sales worth LTL 196 million during the reporting period.

UAB Intractus

Name	*UAB Intractus*
Legal status	Limited liability company
Date and place of registration	Registered with the state enterprise Centre of Registers on 6 August 2009
Company code	302424698
Registered office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Actual office address	Liejyklos g.3, LT-01120 Vilnius, Republic of Lithuania
Telephone number Fax number	(8 5) 243 1679
Fax number E-mail	(8 5) 243 1681
E-mail Website	intractus@intractus.lt
Website	-

The Bank's subsidiary *UAB Intractus* is a limited liability company set up for efficient management of foreclosed real estate assets. The company is entitled to effect operations related to the efficient management of real estate, such as buying, selling, letting of real estate and planning its development. On 31 December 2014 AB *DNB Bankas* was the sole shareholder of UAB *Intractus* with a registered authorized share capital of LTL 143 540 700.

The real estate assets on the *UAB Intractus'* consolidated statement of the financial position were LTL 231 million as of 31 December 2014 including land plots, buildings and premises.

UAB *Intractus* fully owned a limited liability company *UAB Gėlužės projektai* (company code 301135524) with the authorized capital of LTL 27.4 million as at the end of the reporting period. *UAB Gėlužės projektai* develops one project.

On 31 December 2014 UAB *Intractus* owned 0.08 percent of *UAB Industrius* (company code 302593805) registered shares.

UAB Industrius

Name	*UAB Industrius*
Legal status	Limited liability company
Date and place of registration	Registered with the state enterprise Centre of Registers on 15 February 2011
Company code	302593805
Registered office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Actual office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Telephone number	(+370 5) 243 1679
Fax number	(+370 5) 243 1681
E-mail	-
Website	-

The Bank's subsidiary *UAB Industrius* is a limited liability company set up for efficient management of foreclosed real estate assets marked not for further development status. On 31 December 2014 *UAB Industrius'* authorized capital was LTL 47 215 000 *AB DNB Bankas* owned 99.92 percent of *UAB Industrius* ordinary registered shares and 0.08 percent of the company's shares were owned by the Bank's subsidiary *UAB Intractus*.

At the reporting date *UAB Industrius* real estate assets on the balance sheet was LTL 52 million, including real estate like land plots, buildings and premises.

14. RISK MANAGEMENT AND INTERNAL CONTROL

The permanently functioning internal control system and risk management framework are implemented in the Group. The internal control – as a system of organizational measures, actions and internal procedures – ensures effective and efficient operations and prudent conduct of business, compliance with laws and regulations, adequate assessment and control of risks, as well as reliability of financial and non-financial information and submission thereof in a timely manner.

The Group identifies, evaluates, accepts and manages the risk or combinations of risks it is exposed to. In uncertain cases the Group follows principles of precaution, conservatism and prudence. The aim of risk management in *AB DNB Bankas' group* is assuring an acceptable profitability and return on equity pursuing the conservative policy of risk management. While implementing a sound risk management policy the Group focuses not only on minimizing potential risk but also on improving pricing and achieving efficient capital allocation. Risk-related activity of the Bank and the Group is strictly restricted by applying the system of limits. Limitations are set and supervision thereof is executed on a centralized basis at the Group level.

The risk management function of the Group is organized in such a way that ensures efficient risk management and facilitates the realization of the tasks stipulated in the Risk management strategy. Risk management is based on the best practice and is organized in such a way that any possible conflicts of interest would be avoided. The function of all-type risk control is segregated from risk taking, i.e. from the front-office units.

The Bank assesses and manages credit, liquidity, market (interest rate, foreign exchange rate, equity price), operational (including compliance and legal) and other risks it is exposed to in its activities. Credit risk is the dominant in the Bank's risk structure. Detailed information about financial risk assessment and management is provided in section Financial Risk Management of the *AB DNB Bankas* 2014 consolidated financial statements. The risk management principles have not changed significantly during the reporting period. The risk management processes are continuously being improved taking into account the best practice applied by the parent bank *DNB Bank ASA*.

As a result of pursuing the appropriate risk management policy and following the laws and regulations the Bank is compliant with all prudential requirements set by the Bank of Lithuania.

Information about the Bank's compliance with prudential requirements:

31 December 2014 (percent)

Ratio	Bank
Liquidity (per cent)	38.08
Capital adequacy (per cent)	16.09
Maximum exposure to one borrower (≤ 25 %, or 517,92 mio LTL / 150 mio EUR)	14.75
Liquidity buffer covers net funding gap under stressed market conditions according to possible scenario during the survival period (expressed as the number of times)	2.01

The duly established and regulated control function is operating in the Group. The control function includes risk control, compliance and internal audit functions.

The risk control function is performed by the Operational Risk, Risk Quantification and Portfolio Analysis and Markets and Treasury Support and Control departments. The compliance function is performed by the Compliance and the internal audit function – by the Internal Audit departments. Each control function periodically submits reports to the management of the Bank and the shareholder *DNB Bank ASA.*

The Group has been subject to a Comprehensive Assessment (CA), which included an Asset Quality Review (AQR) and Stress Testing (ST), from March to October 2014. It has been performed by European Central Bank (ECB) in cooperation with the Bank of Lithuania.

The Group considers this exercise as an important step for providing insight into the quality of assets of the participating banks, their adherence to accounting standards and vulnerability to stressed conditions. It brings more transparency to the financial markets on the banking industry.

The Group follows accounting standards therefore no adjustments in provisioning were required against the portfolios selected for AQR.

The adverse scenario stress test result for the Group shows a Common Equity Tier 1 (CET1) ratio of 12.7 per cent, which is significantly above the required 5.5 per cent minimum ratio defined by the European Banking Association and ECB. Positive result of the stress test shows Group's solid capitalisation and resistance to adverse development of the economy.

Detailed information on the results of CA can be found on ECB website
https://www.bankingsupervision.europa.eu/banking/comprehensive/html/index.en.html

15. RATINGS

With Norway's *DNB Bank ASA* becoming the sole shareholder of the Bank it has been decided that *AB DNB Bankas* shall use the ratings as assigned to the parent bank. No separate credit ratings are set for *AB DNB Bankas* starting 21 March 2011. Full rating's history of *DNB Bank ASA* and the latest reports are available on the Bank's website www.dnb.lt in the section About the Bank – Financial Reports – Ratings.

16. STRATEGY AND PLANS

DNB Bankas group will continue implementation its business strategy based on the common strategic platform for all DNB group's banks operating in the Baltic countries. It reflects the vision and values of the entire DNB group and puts prime focus on a customer centric business model as well as long term value creation for customers, employees, shareholders and the society.

For its customers *AB DNB Bankas* aims to be present and attentive, offer competitive prices, attractive products and be responsive and clear. This is aimed at achieving a balanced growth of the customer portfolios and a higher penetration of all banking products and services. The strategy stipulates the Bank shall target to maintain good quality of its loan portfolios, achieve better operational efficiency and continuously develop the competences of its employees. The Bank shall aim to capitalize on its affiliation to the *DNB group* by utilizing common product solutions and competences within the integrated organizational set-up.

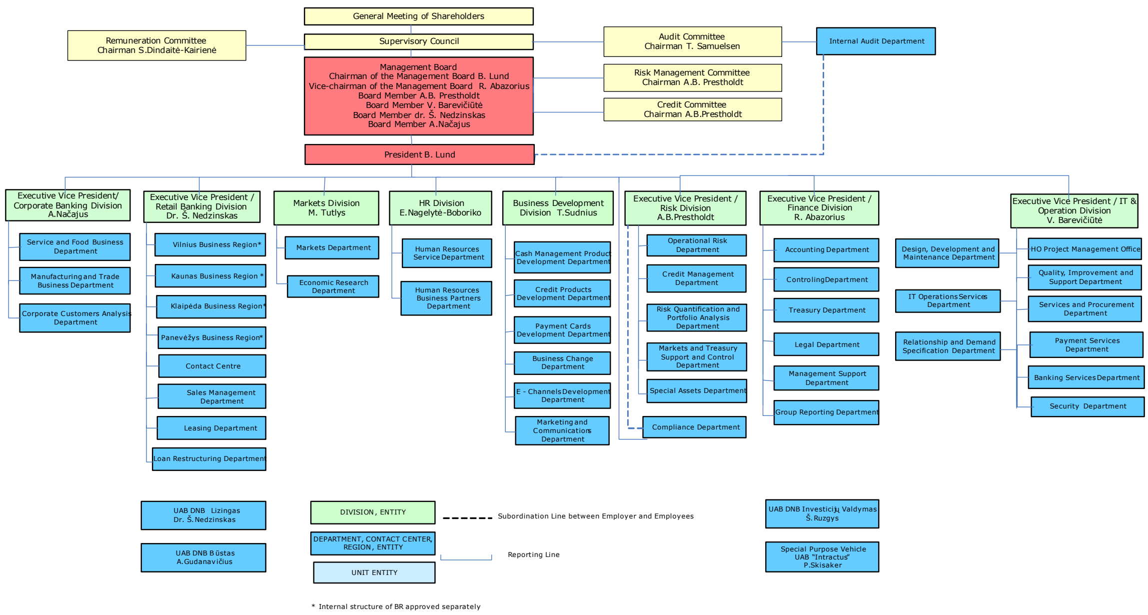
Furthermore *AB DNB Bankas* aims to contribute to maturing the Lithuanian financial market with clear stance on banking and economic issues, considering responsible banking and business ethics and promoting fundamentals of banking. To the Lithuanian society the bank aims to be perceived as transparent and socially responsible.

17. INVESTMENTS

Investments into property, plant, equipment and intangible assets done during the first twelve months of 2014 are described in notes 21 and 23 of consolidated financial statements.

18. ORGANIZATIONAL STRUCTURE

Organisational Management Structure of the AB DNB Bankas



It was decided to consolidate the number of the Business regions to three from 1 January 2015 to ensure higher operating efficiency and usage of the Group's resources.

19. MANAGEMENT

The Bylaws of *AB DNB Bankas* provide that the bodies of the Issuer are the following: General Meeting of Shareholders, Supervisory Council, Management Board and Chief Executive Officer (President).

The General Meeting of Shareholders of the Bank:

- amends the Bylaws of the Bank, save for the exceptions stipulated in laws;
- elects the Supervisory Council or the individual Members thereof;

- removes the Supervisory Council or the individual Members thereof;
- elects and removes the audit company, establishes the terms and conditions of payment for audit services;
- approves the annual financial statements of the Issuer and the report on the performance of the Bank;
- establishes the class, the number and sets the nominal value and the minimum issue price of the shares to be issued by the Bank;
- makes the decision to issue the convertible bonds;
- makes the decision to withdraw the pre-emptive right to acquire the shares or convertible bonds of the specific issue of the Issuer from all the shareholders;
- makes the decision to convert the Issuer's shares of one class into the shares of another class, to approve the share conversion procedure;
- adopts the decision on the profit (loss) distribution;
- adopts the decision on the formation, use, reduction and liquidation of reserves;
- adopts the decision to increase the authorised capital;
- adopts the decision to reduce the authorised capital save for the exceptions stipulated in laws;
- adopts the decision to acquire the Bank's own shares;
- adopts the decision on the reorganization or division of the Issuer and to approve the terms and conditions of the reorganization or division;
- adopts the decision to transform the Bank;
- adopts the decision to liquidate the Bank, to cancel the liquidation of the Bank, except in the events stipulated in laws;
- adopts the decision to elect and remove the liquidator of the Bank, except in the events stipulated in laws.

The General Meeting of Shareholders may also make decisions on other issues unless they are attached to the competence of other bodies of the Bank according to laws or the Bylaws of the Bank and unless they are the functions of the management bodies of the Issuer by their essence. The General Meeting of Shareholders shall not delegate the issues attached to its competence for other bodies of the Bank to decide.

The Supervisory Council of the Bank shall be a collegial supervisory body supervising the operation of the Bank. The Chairman of the Supervisory Council shall be in charge of the Supervisory Council. The General Meeting shall elect 5 Members of the Supervisory Council. At such election, every shareholder shall have the number of votes equal to the number of the votes granted by his/her shares multiplied by the number of the Supervisory Council Members to be elected. These votes shall be cast, at the shareholders' sole discretion, for one or for several candidates. The candidates who receive the greatest number of votes shall be elected. Should the number of the candidates who have received an equal number of votes be greater than the number of the vacancies on the Supervisory Council, a repeat voting shall be held, and in such voting each shareholder shall vote only for one of the candidates who have received the equal number of votes. The Supervisory Council shall be elected for the period of 4 years.

The Supervisory Council:

- elects the Management Board Members and removes them from the office, makes proposals to the Management Board with regard to the candidate Chairman of the Management Board. Establishment of the salaries and other terms and conditions of the respective employment contracts of the Management Board Members holding other offices in the Bank, the President and the Executive Vice Presidents shall be subject to obtaining of the prior consent of the Supervisory Council. If operation of the Issuer generates losses, the Supervisory Council shall consider whether the Management Board Members are suitable to hold the office;
- supervises the activity of the Management Board and the President;
- approves the Regulations of the Supervisory Council;
- approves the business plans of the Bank;
- ensures the existence of the effective internal control system in the Bank;
- makes the proposals and comments to the General Meeting on the Issuer's business strategy, the Issuer's annual financial statements, the draft profit (loss) distribution and the report on the performance of the Issuer as well as on the performance of the Management Board and the President;
- approves the lending policy and establishes the procedure for the lending which is subject to the approval of the Supervisory Council;
- makes the proposal for the Management Board and the President to revoke their decisions which contradict laws and other legal acts, the Bylaws of the Issuer or the decisions of the General Meeting of Shareholders;
- establishes the transactions and the decisions which are subject to obtaining of the consent of the Supervisory Council prior to the conclusion or implementation thereof by the management bodies of the Bank;
- takes the decisions on the issues within the competence of the Supervisory Council under the procedures, the approval whereof are delegated to the Supervisory Council under laws, the Bylaws of the Issuer and the decisions of the General Meeting of Shareholders;
- discusses or resolves other issues which under laws, the Bylaws of the Issuer and the decisions of the General Meeting of Shareholders shall be discussed and resolved by the Supervisory Council.

The Management Board of the Bank is a collegial management body consisting of 7 Members. The Management Board shall be elected by the Supervisory Council for 4 years. Where individual Members of the Management Board are elected, they shall be elected for the period remaining until the expiry of the term of office of the current Management Board. A Member of the Management Board may resign from his/her office prior to the expiry of the term of office subject to a written notice thereof to the Issuer at least 14 days in advance. The Management Board shall discuss and approve:

- the management structure of the Bank and the job positions;
- the positions to be filled in by the way of competition;
- the regulations of the branches, representative offices and other individual outlets of the Bank;
- the lending procedure of the Issuer, in accordance with the lending policy approved by the Supervisory Council;
- the Issuer's procedure for issuing of guarantees and sureties and assuming of other obligations;

- the procedure for writing off of loans and other debt obligations;
- the Regulations of the Credit and the Risk Management Committees.

The Management Board shall elect (appoint) and remove the President and the Executive Vice Presidents. The Management Board shall establish the salary of the President and other terms and conditions of his employment contract, approve his job description, apply incentives to or impose penalties on him. The Management Board shall determine what information shall be deemed to be a commercial secret of the Bank.

The Management Board shall adopt:
- the decisions for the Bank to become a founder, a member of other legal persons;
- the decisions to establish branches, representative offices and other individual outlets of the Bank and to terminate their operation;
- the decisions on the investment, transfer, lease of the fixed assets at the book value above 1/20 of the authorised capital of the Issuer (per each type of transaction);
- the decisions on the pledge and mortgage of the fixed assets at the book value above 1/20 of the authorised capital of the Issuer (in the aggregate amount);
- the decisions on the issuing of guarantees or sureties for the fulfillment of the obligations of other persons in the amount above 1/20 of the authorised capital of the Bank;
- the decisions on the acquisition of the fixed assets for the price above 1/20 of the authorised capital of the Bank;
- the decisions on the issuing of non-convertible bonds;
- the Regulations of the Management Board;
- the decisions on other issues which shall be discussed or resolved by the Management Board under laws and the Bylaws of the Bank.

The Management Board shall establish:
- the terms and conditions of the share issue of the Bank;
- the procedure for the issuing of bonds of the Bank. Where the General Meeting of Shareholders takes the decision on the issuing of the convertible bonds, the Management Board shall have the right to establish additional terms and conditions of their issuing and to approve the bond subscription agreements to be signed by the President or the persons duly authorized thereby;
- the procedure for the recruitment of employees by the Bank and the events when recruitment of employees by the Issuer shall be subject to the consent of the Management Board.

The Management Board shall implement the decisions taken by the General Meeting of Shareholders and the Supervisory Council. The Management Board shall analyse and assess the information submitted by the President on the following issues:
- the implementation of the business strategy of the Bank;
- the organisation of the business of the Bank;
- the financial state of the Issuer;
- the results of the business activities, the income and expenditure estimates, the stocktaking data and other accounting data of the changes in the assets.

The Management Board shall analyse and assess the draft annual financial statements of the Bank and the draft profit (loss) distribution, and shall submit them to the Supervisory Council and the General Meeting of Shareholders. The Management Board shall establish the methodology for the calculation of the depreciation of the tangible assets and the amortization of the intangible assets to be applied in the Bank.

The President shall be a single person management body of the Bank. The President shall act as follows:
- organise the daily operation of the Bank;
- hire and dismiss the employees of the Bank, conclude and terminate the employment contracts with them, apply incentives to and impose penalties on them;
- establish the rates applied in the calculation of the depreciation of the assets in the Bank;
- represent the Bank in the relations with other persons, the court and the arbitrage without a special power of attorney;
- issue and revoke the powers of attorney and powers of procuration of the Bank;
- issue orders;
- perform any other actions necessary to perform his functions, to implement the decisions of the bodies of the Bank and to ensure of the operation of the Bank.

The President shall be responsible:
- for the organization of the operation and the realization of the objectives of the Bank;
- for the drawing up of the annual financial statements;
- for the drawing up of the contract with the audit company;
- for the submission of the information and documents to the General Meeting of Shareholders, the Supervisory Council and the Management Board in the events stipulated in laws or upon their request;
- for the submission of the documents and particulars of the Bank to the administrator of the register of legal persons;
- for the submission of the documents to the Bank of Lithuania and the Central Securities Depository of Lithuania;
- for the publishing of the information stipulated in laws and other legal acts in the daily stipulated in the Bylaws if the Bank;
- for the submission of the information to the shareholders;
- implementation of the provisions of the Law on Money Laundering Prevention;
- for the performance of other duties stipulated in laws and legal acts, the Bylaws of the Issuer and the job description of the President.

The President shall act on behalf of the Bank and shall have the right to conclude transactions at his own discretion save for the exceptions stipulated herein or in the decisions of the bodies of the Bank.

20. SUPERVISORY COUNCIL

According to the Bylaws the Supervisory Council of *AB DNB Bankas* consists of five members. As of 31 December 2014 the Supervisory Council consisted of four members.

On 24 March 2014 the members of the Supervisory Council were re-elected for a new four-year term of office until March 2018 by the decision of the sole shareholder of the Bank.

Five meetings of the Supervisory Council of *AB DNB Bankas* were held during the reporting period. None of the members of the Supervisory Council missed more than half of the Supervisory Council meetings.

Information about position, office term, education, professional qualification and management competence of the members of the Supervisory Council:

Name	Position	Information on start and end of holding the office		Education	Information about management competence and experience
		Start	End		
Terje Turnes	Chairman of the Supervisory Council	24 03 2014	24 03 2018	Tronheim School of Economics; Diploma in economics and administration; the Norwegian School of Marketing Diploma in Marketing; Norwegian School of Economics and Business administration, MBA	Den norske Bank ASA, DnB NOR Bank ASA, various positions (1997-2010); DnB NOR Bank ASA, Head of Baltic and Poland Division (since 2010)
Tony Samuelsen	Member of the Supervisory Council	24 03 2014	24 03 2018	Norwegian School of Economics and Business Administration, diploma in economics and business administration	DnB NOR, New York, CEO, (1995-1998); DnB NOR, London, CEO (2000-2005); DnB NORD A/S, Chief financial officer (2006-2008); DnB NOR vice-president (since 2008)
Eline Skramstad	Member of the Supervisory Council	24 03 2014	24 03 2018	Science and Technology University of Norway, Master degree	DNB Bank ASA/Den norske Bank ASA account manager (2001-2005); DNB Bank ASA vice president (2005-2009)DNB BANK ASA senior vice president (2009 - 2012); *DNB Bank ASA* senior credit officer (since 2012)
Leif Rene Hansen	Member of the Supervisory Council	24 03 2014	24 03 2018	Trade School, Kolding branch; certificate of the state authorised auditor	KPMG Lithuania partner and managing director (1994-2009); DNB Poland, DNB Lithuania and DNB Latvia member of the Internal Audit Committees (since 2009), member of the Supervisory Council of DNB Poland (since 2010)

21. MANAGEMENT BOARD

According to the Bylaws the Management Board of *AB DNB Bankas* consists of seven members. As of 31 December 2014 the Management Board consisted of six members.

On 24 March 2014 the Supervisory Council re-elected the members of the Management Board for a new four-year term of office until March 2018; Ramūnas Abazorius was elected as vice-chairman of the Management Board. He replaced dr. Vygintas Bubnys in the position who did not extend his contract as the vice-chairman of the Management Board and vice-president for the next term from 21 March 2014.

On 2 July 2014 the Supervisory Council elected Andrius Načajus as a member of the Management Board. Andrius Načajus, member of the Management Board and executive vice-president, responsible for corporate banking development, started his office on 4 August.

On 5 October 2014 Per Weidemann resigned from the position of the member of the Management Board and executive vice-president.

Information about position, office term, education, professional qualification and management competence of the members of the Management Board:

Name	Position	Information on start and end of holding the office		Education	Information about management competence and experience
		Beginning	End		
Bjørnar Lund	Chairman of the Management Board, president	24 03 2014	24 03 2018	Norwegian School of management, economist	DnB NOR Bank ASA, various positions (1987 – 2011)
Ramūnas Abazorius	Vice-chairman of the Management Board, Executive Vice-president	24 03 2014	24 03 2018	Vilnius University, master in finance	AB Lietuvos žemės ūkio bankas, manager of the Asset and Liability Management Team (1999-2001); AB Lietuvos žemės ūkio bankas, manager of the Asset and Liability Management Unit of the Financial Risk Department (2001-2003); NORD/LB, manager of the Credit Risk Unit of the Financial Risk Department (2003-2004); DnB NORD bankas, manager of the Controlling Department (2004-2010)
Dr. Šarūnas Nedzinskas	Member of the Management Board, Executive Vice-president	24 03 2014	24 03 2018	Vilnius University, Diploma in Economics; Vytautas Magnus University, MBA, ISM, PhD	AB Lietuvos Žemės ūkio bankas, Manager of the Stock Brokerage Division, Deputy Director of the Deposits and Credit Department, Director of the Credit Department, Member of the Management Board (1994-1997); AB bankas Hermis, vice-chairman of the Management Board (1998-2000); SEB Vilniaus bankas, Director of the Business Development Department, Director of the Financial Institutions Department, Director of the Special Loans Department (2000-2003); UAB Švyturys – Utenos alus, Sales Director (2003-2004); AB Lietuvos draudimas, Member of the Board, Director of Business and Risk Department (2004-2007); AB FMĮ Finasta, Director, chairman of the Board (2007-2008); AB DnB NORD bankas advisor to the president (2008-2009), member of the Management Board (since 2009)
Vaineta Barevičiūtė	Member of the Management Board, Executive Vice-president	24 03 2014	24 03 2018	Vilnius University, law diploma; ISM university, MBA	Vilnius municipality, lawyer (1998-1999); State Tax Inspectorate at the Ministry of Finance, lawyer, deputy unit head (1999-2003); AB bankas NORD/LB Lietuva, DnB NORD bankas, unit manager, Internal audit department manager (2003-2011)
Anne Birgitte Presthold	Member of the Management Board, Executive Vice-president	24 03 2014	24 03 2018	The Norwegian School of Economics and Business Administration	DnB NOR Corporate Clients department, manager (1999-2003); SME Sarpsborg, manager (2003-2009); Assets Restructuring, manager (2009); Retail Norge, Akershus Østfold, Head of Quality (2009-2012)
Andrius Načajus	Member of the Management Board, Executive Vice-president	04 08 2014	24 03 2018	Stockholm School of Economics, Riga, Latvia, B.Sc. in Economics and Business Administration; Stockholm School of Economics, Sweden, M. Sc. International Business and Economics, with specialisation in Finance	Trigon Capital, Tallinn, Senior Associate (1999-2002); AB Lietuvos Žemės Ūkio bankas, advisor to the member of the Management Board (2002); AB Lietuvos Žemės Ūkio bankas/AB NORD/LB bankas, Head of Investment Banking (Markets since 25-08-2010) (2002-2010); AB DNB Bankas, Head of Markets for Baltics (2010- 2014)

The members of the Supervisory Council and the Management Board have no shares of the Issuer.

The members of the Supervisory Council, the Management Board and the administrative bodies are not connected by any family relationship between any of them.

The members of the Supervisory council, the Management Board and the administrative bodies of the Bank have not been convicted for any crimes of forgery. They have not been publicly officially incriminated or imposed any sanctions by any regulatory authority over the period of past five years. They have not been disqualified by a court from holding office as the member of the bank's administrative, management or supervisory body acting in the management or conduct of the affairs of any Issuer.

The members of the Supervisory Council, the Management Board and the administrative bodies of the Bank have no interests of conflict between any duties to the Issuer and their private interests and/or other duties. The Issuer has not entered into any deal with the above mentioned persons outside his/her principal activities.

Additional information about the Chairman of the Management Board and the Bank's president and Chief Financier:

Bjørnar Lund (Chairman of the Management Board and the president of the Bank): holds diploma in economics from BI Norwegian School of Management. He has been working in the Bank since 2011. Previous work record:

Bjørnar Lund has been working in Norway's *DnB NOR Bank ASA* since 1987. He has extensive experience working in various managerial positions in corporate and retail banking in Norway. In addition, he has international experience working abroad as the head of the Nordic Desk of *DnB NOR Bank ASA* in Singapore.

Bjornar Lund has no shares of the Issuer.

Jurgita Šaučiūnienė (Chief Accountant, Manager of the Accounting Department): Master's degree in business management from Vilnius University. Start of holding the office as Manager of the Accounting Department at the Bank in 2004. Previous work record:

Auditor Assistant, audit company TŪB "J. Kabašinskas ir partneriai" (1997 - 1998);
Member of KŪB, J. Kabašinsko KŪB "JKP konsultacijos" (1998 - 1999);
Agency NORD/LB bank / NORD/LB Vilniaus branch – Account, Chief Accountant (1999-2003);
Head of the Accounting Policy and Accountability Unit, *AB bankas NORD/LB Lietuva* (2003 - 2004).

Jurgita Šaučiūnienė has no shares of the Issuer.

22. INFORMATION ON THE ACTIVITIES OF THE COMMITTEES

In the reporting period Internal audit, Risk management, Credit and Remuneration committees were operating in *AB DNB Bankas.*

Internal audit committee

AB DNB Bankas Internal audit committee is established by the Supervisory Council of the Bank. Its functions are as follows:

- supervising the functioning of the internal control system and risk management of the Bank,
- ensuring the efficiency of internal audit functions,
- approving the annual audit plan for the Internal audit department and supervising the audit process,
- with regard to the auditing procedure and accounting policy, observing the integrity of financial information,
- reviewing the conclusions and recommendations of the external auditor, monitoring their independence and impartiality,
- determining the risk areas of the Bank's operations to be audited by the Internal audit department and by the external auditor.

Internal audit committee consists of three members:

Chairman	**Tony Samuelsen.** Employer - *DNB Bank ASA.*
Members	**Eline Skramstad.** Employer - *DNB Bank ASA.* **Leif Rene Hansen,** the independent member.

Members of Internal audit committee have no shareholdings in *AB DNB Bankas.*

In 2014 three meetings of the Internal audit committee were held.

Risk management committee

Risk management committee (hereinafter referred to as the RMC) is a non-structural unit of the Bank established by the resolution of the Management Board of the Bank. The chairman, the vice- chairman and the members of the RMC are appointed by the Management Board of the Bank. The RMC reports to the Management Board of the Bank. RMC is responsible for ensuring effective formation of optimal capital structure, liquidity and market risk management and control, Optimization of the Bank's asset and liability structure with regards to acceptable risk and return.

Competence areas of RMC:

- capital management of the Bank,
- market risk management,
- liquidity risk management,
- internal fund pricing,
- operational risk including compliance and legal risk.

Risk management committee consists of ten members:

Chairwoman	**Anne Birgitte Prestholdt**, Executive Vice president of the Bank.
Vice-chairman	**Ramūnas Abazorius**, Executive Vice-president of the Bank.
Members	**Dr. Šarūnas Nedzinskas**, Executive Vice-president of the Bank, **Andrius Načajus**, Executive Vice-president of the Bank, **Dalius Darulis**, Manager of the Service and Food Business Department, **Mantas Gikys**, Manager of the Treasury Department, **Michail Leontjev**, Manager of the Markets and Treasury Support and Control Department, **Šarūnas Vaineikis**, Manager of the Prevention Department, **Vaidas Žiedelis**, Manager of the Operational Risk Department, **Vytautas Danta**, Manager of the Compliance Department.

Risk management committee held twelve meetings in 2014.

Members of the Risk management committee have no shareholdings in *AB DNB Bankas*.

Credit committee

The regulations of the Credit committee of AB *DNB Bankas* and its composition are approved by the Management Board of the Bank. Its functions are as follows:

- discussing general situation of credit risk in the Bank;
- discussing and counseling decisions related with risk of significant exposures;
- discussing and approving exposure strategies towards problem borrowers;
- approving results of provisioning both for pool and individually assessed borrowers and leasing;
- reporting to Management board of the Bank on implementing the objectives on regular basis.

Credit committee consists of:

Chairwoman	**Anne Birgitte Prestholdt**, Executive Vice president of the Bank.
Members	**Bjornar Lund,** President of the Bank **Andrius Načajus**, Executive Vice-president of the Bank **Dr. Šarūnas Nedzinskas**, Executive Vice-president of the Bank Representative from the Credit management department Representative from the Loan restructuring/Special assets department Representative from the Corporate banking division

NOTE. Participation in the meetings of the Credit Committee is required depending on the competence level of the considered case and the segment of the client.

In 2014 eighty four meetings of the Credit Committee were held.

Members of the Credit committee have no shareholdings in *AB DNB Bankas.*

Remuneration committee

The Remuneration committee is set up by the Bank‘s supervisory council.

The committee is authorized to evaluate the variable remuneration policy and practice thereof with the aim to manage the Bank's assumed risk, equity and liquidity, submit proposals on components of the remuneration package of the Bank's employees, supervise the variable remunerations of executives responsible for risk management and compliance control, prepare draft decisions regarding variable remuneration to be adopted, after approval of the Management Board of the Bank, by the Supervisory Council of the Bank with regard to long-term goals of the Bank, shareholders and investors.

The Bank's Remuneration committee consists of five members:

Chairman	**Sigutė Dindaitė-Kairienė**, Manager of the Human Resources Service Department
Members	**Dalius Darulis**, Manager of the Service and Food Business Department **Vytautas Jūras**, Manager of the Risk Quantification and Portfolio Analysis Department **Lijana Žmoginaitė**, Manager of the Sales Management Department, **Vytautas Naruševičius**, Manager of the Controlling Department

Members of the Remuneration committee have no shareholdings in *AB DNB Bankas*.

23. EMPLOYEES

The Group's human resources management continued to be focused on fostering further the implementation of DNB vision – creating value through the art of serving the customer – among employees and implementation of the Group's values in daily work with customer and colleagues.

As of 31 December 2014 the number of employees in the Group was 1,158 employees, 1,127 of them were employees of *AB DNB Bankas*. In the reporting year, the number of *AB DNB Bankas Group* employees averaged 1,180, in the AB DNB Bankas - 1149.

Changes in the number of employees and salaries

	31 12 2011	31 12 2012	31 12 2013	31 12 2014
Number of staff in the Bank	1,325	1,364	1,221	1,127
Number of staff in the Group	1,353	1,395	1,252	1,158
Average monthly salary in the Group in LTL	3,995	4,220	4,370	4,600

As at 31 December 2014, the average monthly salary by main staff groups was as follows: LTL 9,495 to the administration (excluding members of the top management); LTL 3,990 to specialists; LTL 2,290 to clerical staff and workers.

The Group's staff by groups of positions as of 31 December 2014

	Number of employees	Staff structure by education		
		Higher	Specialised secondary (high)	Secondary
Administration	159	152	4	3
Specialists	953	726	104	123
Clerical staff and workers	46	27	6	13
Total	**1,158**	**905**	**114**	**139**

24. REMUNERATION POLICY

This information is prepared and published in implementation of Paragraph 25 of Resolution No. 03-175 dated 23 December 2010 of the Board of the Bank of Lithuania on Amending the Minimal Requirements for Remuneration Policies in Credit Institutions approved by Resolution No.228 of 10 December 2009 of the Board of the Bank of Lithuania as well as Resolution No.1K-9 Regarding the Requirements for Remuneration Policies Applied to the Financial Brokerage Firms, Management Companies and Investment Companies of the Securities Commission dated 3 February 2011.

AB *DNB Bankas'* Remuneration Policy also applied to the Bank's subsidiaries reflects the Bank's vision and values and is consistent with the policy of the Bank's sole shareholder, Norwegian *DNB Bank ASA.* Its goal is to set the Group's overall remuneration system to help implement the set business strategy, form the corporate business culture and affirm the Bank's reputation as an attractive employer. The Group aims to have a consistent and transparent remuneration system enabling for proper evaluation of each employee's contribution taking into consideration the results achieved, encouraging proper risk management and control, preventing from the possibility to assume too high risk and helping to avoid conflict of interest.

The Bank's Remuneration Policy new wording was approved by the Bank's Supervisory Council on 24 March 2014. Supervisory Council of the Bank approved the annex to the Remuneration Policy “Positions influencing the risk assumed by the bank did not change. The regulations and the composition of the Bank's Remuneration Committee remained unchanged in the reporting year.

No external consultants' services were used to draft the Remuneration Policy. No persons in conflict of interests contributed to preparation of the Remuneration Policy.

Major structural parts of the Remuneration Policy:

- definitions;
- fixed remuneration;
- variable remuneration;
- other benefits
- Remuneration Committee;
- remuneration of controlling units;
- disclosure of information.

Remuneration in *AB DNB Bankas' group* consists of:

- Fixed remuneration means the salary fixed in an the employment contract
- Variable remuneration means the variable part of the salary depending on the results which is set in accordance with fulfilment of the set goals, as well as the rights to the DnB Bank ASA shares, equity linked financial instruments. Variable remuneration can be paid on a monthly, quarterly basis or upon the year-end.
- Collective bonuses mean the remuneration which is granted for exceptionally high annual/long-term operating results, sharing the profit. It is paid in the following year by the decision of the Management Board of the Bank;
- Other benefits mean accident insurance, health insurance, pension insurance etc.

The remuneration principles in the Bank are related with the employee appraisal results. The annual business goals are set for DNB group, the Bank and the employees at the beginning of each year. A uniform process is applied for appraising the working culture and operating results.

The Remuneration Policy sets forth that the variable remuneration depends on fulfilment of individual targets attainment and overall assessment).

Variable annual remuneration including bonuses for the Bank employees may not exceed 50 percent of the annual fixed salary, including any payments to pension funds. Variable annual remuneration for the Markets Department may not exceed 90 percent of the overall annual salary.

The variable remuneration is paid by the decision of the Management Board of the Bank or of the Group only when the Bank is in a sustainable financial standing and the set performance of the business unit and/ or employees is fulfilled.

Principles of the variable remuneration for positions influencing the risk assumed by the Bank

The fixed remuneration to risk takers must comprise a considerable portion of the overall salary.

Calculation of the variable remuneration to risk takers is based on the annual evaluation of the individual targets and on the overall annual business evaluation. At least three years' performance appraisal results of the employee are taken as the basis.

Given the potential risk related to the evaluated performance of the employee, payment of at least 50 percent of the variable remuneration is deferred to be made in *DNB Bank ASA* shares or in other financial instruments. Deferred incentive amounts shall be subject to a 3 year period.

A third of the distributed shares is transferred to the beneficiary in one year from the share distribution date, another third is transferred in two years from the distribution date, and one third is transferred in three years from the distribution date. Thus, the ownership right to the shares will go the beneficiary after the shares are transferred thereto. Before transferring the ownership to the shares, the beneficiary has only relative rights to the shares.

Within this period the rights to the shares are relative and further risk assessment must be carried out in order to analyse whether or not the initial risk adjustment was correct. In case the assessment shows that the initial risk assessment was not correct, the rights to the conditionally distributed shares may be cancelled in full or in part.

In case there is a basis to suspect fraud or a serious breach of the internal or external rules, when the employee is accused or charged or in case other circumstances occur under which appointing of a variable remuneration may be treated as unreasonable or controversial, payment of the remuneration may be suspended or cancelled in part or in full, or it may be demanded to repay it after the distribution (refunding).

The annual calculation of the variable remuneration is based on the goals set during the performance review and on the overall assessment. The fulfilment of the annual goals is assessed. At least three years' term must be taken to assess the achieved goals in terms of the variable remuneration. The overall calculation is based on the average arithmetical calculations for the reporting period.

An assessment is carried out in respect of payment of each deferred variable remuneration portion.

The employees may not have signed agreements or employment agreements which are effective as insurance against unreceived variable remuneration.

The employees who resign from their position and who hold shares under minimum holding period must follow the rules regulating minimum holding periods, deferred payments reduction, and repayments. In case of the employee's death, the remuneration will be paid to the heirs.

The remuneration to employees performing independent control functions does not depend on the financial results of the business field controlled.

In order to attract, retain and motivate the best-qualified employees, the remuneration should reflect competences, experiences, market practice, and achievements.

The fixed remuneration portion must account for a considerable portion of the total remuneration to ensure a competitive remuneration in respect of the market research data.

The maximum percentage of a variable remuneration in relation to the fixed remuneration should reflect the levels of remuneration for various job categories.

Overall quantitative information on remuneration divided by employee groups (total remuneration amount, total variable remuneration amount, number of employees

Information for 2014 is based on the data available on 31 December 2014. All amounts indicated are before taxes.

AB DNB Bankas	Fixed remuneration (thousand LT)	Variable remuneration (thousand LT)	Number of recipients
Bank administration	2,138	0	7
Employees risk takers *	542	0	2
Employees	61,681	0	1,140
Total:	64,361	0	1,149

*As of 31 December 2014 no payments for performance results of 2014 were made to the Bank employees.

Amount of deferred variable remuneration allocated in the financial year, paid out and adjusted in respect of the performance results

In 2014 no such adjustments were made.

Amount of guaranteed variable remuneration provided under new agreements and severance payments in the financial year and the number of recipients of such payments

No guaranteed variable remuneration was provided to the recipients.

Amounts of severance pays allocated in the financial year, number of recipients of such pays and the largest allocated amount per person:

AB DNB Bankas	Number of recipients	Severance payments amount (thousand LT)	Largest amount per person (thousand LT)
	97	3,333	360

The Bank has no special commitments for employees regarding severance payment except the listed below:

The Employer shall pay to the Employee a severance payment, when Employee leaves the Bank and Employment Contract expires or is cancelled on one of the following grounds: (a) on the Employer's initiative, when the Employee is not at fault (incl. recall from duties), (b) when expires the term of office of the Management Board, (c) when the Employee refuses to work after the introduction of changes in employment conditions; (d) when the medical commission or the commission for the establishment of disability concludes that the Employee is unable to work under this Employment Contract. Upon the termination of the employment contract under the grounds mentioned above, the dismissed employee shall be paid a severance pay in the amount of his average monthly wage taking into account the continuous length of service of the Employee (according the paragraph 1 of Article 140 of Labor Code). The Employer shall pay to the Employee an extra severance pay until to his 3 average monthly salaries in addition, but the total amount of all severance payments cannot exceed 6 average monthly salaries.

Additional retirement benefit or early retirement scheme does not apply for the executive officers of the Bank.

Information on amounts allocated within the reporting period to the Bank's Management Board Members holding other positions at the Bank and to the Chief Financier

In 2014 no assets were gratuitously transferred or guarantees granted to these employees on behalf of the Bank. The information below shows the amounts allocated to these persons in total and the average amounts allocated to the Bank's executives, chief executive officer, and chief financial officer. Information on amounts paid individually to each person is not submitted following the requirements relating to the Bank's secret and personal data protection.

	Allocated amounts (thousand LT)
Overall amount to the Bank's all executives and to the chief financier.	**3,207**
Under employment agreement	2,549
Employer's social insurance contributions	658
Other payments including the employer's social insurance contributions*	**310**
Average per executive and chief financier of the Bank.	**356**
Under employment agreement	283
Employer's social insurance contributions	73

*expenses related with car rent, accommodation and settling

25. DIVIDENDS

Over the period of the past five years the *AB DNB Bankas* paid no dividend.

26. INFORMATION ON HARMFUL TRANSACTIONS CARRIED OUT ON BEHALF OF THE BANK DURING THE REPORTING PERIOD

During the reporting period *AB DNB Bankas* and Group were not engaged into harmful transactions that would be contradictory to the goals of the company, were carried out opposite to usual market terms or could harm the interests of the Bank's shareholder or other groups of interested persons.

27. PROCEDURE FOR AMENDING THE BYLAWS

Following the effective Bylaws of the Bank (the recent wording of the Bylaws registered with the Register of Legal Entities on 8 April 2013), and the Law on Joint Stock Companies, the Bylaws of the Bank may be amended by decision of the General Meeting of Shareholders taken by at least 2/3 of the votes of all the shareholders participating in the General Meeting of Shareholders, save for the exceptions established by law.

28. INFORMATION ON LEGAL OR ARBITRAL PROCEEDINGS

During the period from 1 January 2014 to 31 December 2014 the number of litigation (arbitration) proceedings, where Bank is a party (defendant, plaintiff or the third party), did not incur any significant changes. The cases are related to the financial services provided by the Bank, i.e. executions of the obligations assumed by the customers to the Bank are disputed.

Part of the legal disputes were related to equity linked bonds issued by the Bank, which were acquired by the claimants from the funds borrowed from the Bank. During reporting period the Bank was a defendant in 20 civil cases with the disputed amount being approximately equal to LTL 29.9 million. Due to unfavorable market terms the bonds did not record sufficient returns while the obligation of the customers to pay interest on the loans granted remained outstanding. The customers claim that the relevant risks and terms were not properly disclosed, i.e. the Bank provided investment services not in compliance with legal requirements. Five of the cases were examined in the Supreme Court of Lithuania which stated that shortfalls in the provision of the Bank' investment services if any, were not significant enough to recognize the customers were misled in essence therefore the decision to transfer all negative consequences for investment losses to the Bank and to acknowledge the transaction as void is not legitimate, reasonable and correct.

29. SOCIAL PROJECTS

By implementing its business strategy - create value to the customers, employees, shareholders, and society - *DNB group* aims at business development in view of the needs of the present and future generations. *DNB group* regards its corporate social responsibility as a shared responsibility towards achieving sustainable development in the areas and business sectors where it operates.

DNB Bankas' takes account of environmental, social and governance-related aspects in product and service development, advisory and sales activities, investment and credit decisions, as well as production and operations, including relations with suppliers. DNB Bankas shall not contribute to the infringement of human or labour rights, corruption, serious environmental harm or other actions that could be regarded as unethical. The social responsibility principles shall apply, among other things, to the areas of governance, environment and society.

DNB Bankas' corporate social responsibility is based on internationally recognised guidelines, including:
- the OECD's guidelines for multinational companies;
- the IFC's guidelines for environmental and social standards;
- the UNEP FI principles;
- the UN Principles for Responsible Investments;

- the UN Global Compact;
- the UN guiding principles on business and human rights.

In 2014, *DNB Bankas group* further continued and developed new social initiatives and actively participated in the implementation of the social initiatives that create value to the country's society.

On 23 July 2014, the General Affairs Council of the EU adopted the final resolution on Lithuania's membership in the Eurozone from 01 January 2015. From this date Lithuania became the nineteenth member of the Eurozone using the European Union's single euro currency. DNB Bankas was active in informing its corporate and private customers about the future changes. A special on-line platform www.dnbeuras.lt was developed providing the key information and giving practical tips on how to prepare for the currency change.

In 2014, the Bank further developed “Kuriu verslą” ("I'm starting my own business") program to encourage entrepreneurship that covers all key stages in company establishing and developing: starting from the business idea, process planning, company setting up and establishment of the business start-up in the market. The following activities of this "Kiriu verslą" program were implemented in 2014:

- Education program on how to start developing own business ideas from young age;
- Four seminars on women owned businesses were organised in the largest towns of Lithuania;
- New platform „Jauno verslo EXPO“ developed to publish business start-ups;
- Special DNB service portfolio developed to companies that started the second year of their business.

This program was recognized as the most successful initiative to promote entrepreneurship in Lithuania in the "Merits to Business" awards organized by the Ministry of Economy in 2014.

In spring 2014, the traditional "LIFTAS" project was organised to encourage entrepreneurship for youth from 70 schools of Lithuania. The mission of this project was to motivate young people to generate business ideas and to give them practical skills to implement the ideas. The pupils were gathering in groups, generating business ideas that create value to the school or local communities, participating in training seminars, and developing their business plans with the help of the bank specialists. "DNB Runway For Your Career" was organised for the second year where young people were consulted by professional HR management specialists in order to help them to enter the labour market.

In view of the significance of research and development, in 2014 the Bank established a prize for the eleventh time to the winner of the "Best Thesis" competition initiated by the Lithuanian Society of Young Researchers. The Bank continued a close cooperation with the country's higher educational institutions, especially with the Bank's partner ISM university by participating in "100 talents program" and taking students to real business projects.

In order to promote projects that develop the future, the Bank encouraged to remember our history and in 2014 the Bank developed the "V-16 excursions day" project initiated last year in Vilnius which is intended to Lithuania's independence day. This project received huge public support and participation.

Sponsoring the Lithuanian National Men's Basketball Team is the Bank's main professional sports sponsoring project. As the Basketball Word Cup is approaching, DNB bank, that has been supporting the country's national team for 12 years, made a survey to compare the citizens' behavior in handling their daily financial matters to a basketball game in order to draw the public attention to responsible behavior with finances and to safe ways of saving. To emphasize the importance of the long-term partnership, the Bank has been partner of the Lithuanian Basketball Federation for 12 years. This sponsorship and activation initiative was recognised to be the best in the Baltic states by the international "Baltic PR Awards 2013“ competition.

And also, DNB bank contributed to promotion of healthy lifestyle: in cooperation with the partners it organised a running event - Nike We Run Vilnius / DNB half marathon. This international event that takes place in many modern cities of the world, attracted a record number - 7000 - of participants in Vilnius. DNB Nordic walking club also gathered a high number of enthusiasts of this Scandinavian sports, and in winter Vilnius residents were invited to DNB Christmas ice skating rink. The Bank wants everybody to be able to join these activities irrespective of the age or fitness.

The Bank supports important initiatives of local community by contributing to the community life and cultural events in each town and settlement The largest among such events is the International Christmas Fair in Vilnius, Kaunas "Operetta" and Klaipėda Castle Jazz Festival.

In June 2014, *DNB bank* won the "Healthiest Company of the Year" award in the National Responsible Business Awards event organised by the Ministry of Social Security and Labour, Ministry of Economy, and Ministry of Environment for demonstrating approach that a philosophy of healthy lifestyles is equivalent to a philosophy of healthy financial habits, also for promoting healthy lifestyles in Vilnius City.

DNB bank reports its work on sustainable development and corporate social responsibility of the entire *DNB group* on an annual basis. The report is published on www.dnb.no in the English language.

President of AB DNB Bankas

Bjørnar Lund

THE GROUP AND BANK INCOME STATEMENT

	Notes	Group 2014	Group 2013	Bank 2014	Bank 2013
Interest income		291,488	287,543	284,400	280,534
Interest expense		(64,532)	(74,430)	(64,529)	(74,427)
Net interest income	1	**226,956**	**213,113**	**219,871**	**206,107**
Fee and commission income	2	128,013	120,044	126,664	120,360
Fee and commission expense	2	(30,088)	(25,387)	(29,286)	(24,853)
Net interest, fee and commission income		**324,881**	**307,770**	**317,249**	**301,614**
Net gain (loss) on operations with securities and derivative financial instruments	3	27,076	(12,206)	27,049	(9,404)
Net foreign exchange result		8,226	41,170	8,031	41,286
Share of profit of on associate		161	-	-	-
Impairment losses and provisions	4	(19,808)	(2,120)	(47,011)	7,849
Other income	5	21,860	27,340	7,393	20,431
Personnel expenses	6	(102,727)	(115,818)	(99,313)	(112,098)
Depreciation and amortisation	7	(12,593)	(11,797)	(12,396)	(11,735)
Other administrative expenses	8	(182,408)	(184,346)	(171,567)	(176,826)
Profit (loss) before income tax		**64,668**	**49,993**	**29,435**	**61,117**
Income tax	9	(8,145)	(4,406)	(7,700)	(4,002)
Net profit (loss) for the year		**56,523**	**45,587**	**21,735**	**57,115**
Profit (loss) attributable to:					
Equity holders of the parent		56,523	45,587	21,735	57,115
Earnings per share (in LTL per share)					
Basic	10	9.90	7.98		
Diluted	10	9.90	7.98		

These Financial Statements were signed on 20 February 2015:

B. Lund
President

J. Šaučiūnienė
Chief Accountant

The accounting policies and notes on pages 35 to 113 are an integral part of these financial statements.

THE GROUP AND BANK STATEMENT OF COMPREHENSIVE INCOME

	Group		Bank	
	2014	2013	2014	2013
Profit (loss) for the year	**56,523**	**45,587**	**21,735**	**57,115**
Other comprehensive income (expenses) to be reclassified to profit or loss in subsequent periods:	-	-	-	-
Other comprehensive income (expenses) not to be reclassified to profit or loss in subsequent periods:	-	-	-	-
Total comprehensive income (expenses) for the year, net of tax	**56,523**	**45,587**	**21,735**	**57,115**
Attributable to:				
Equity holders of the parent	56,523	45,587	21,735	57,115

These Financial Statements were signed on 20 February 2015:

B. Lund
President

J. Šaučiūnienė
Chief Accountant

(all amounts are in LTL thousand, if not otherwise stated)

THE Group AND bank STATEMENT OF FINANCIAL POSITION

		Group		Bank	
	Notes	31 December 2014	31 December 2013	31 December 2014	31 December 2013
ASSETS					
Cash and balances with central banks	11	1,367,690	482,885	1,367,690	482,885
Due from banks and other credit institutions	12	490,663	883,492	490,663	883,492
Financial assets held for trading	13	85,145	53,506	85,145	53,506
Financial assets designated at fair value throught profit or loss	14	715,761	822,980	711,266	816,477
Derivative financial instruments	15	25,448	12,525	25,448	12,525
Loans and advances to customers	16	9,451,064	8,904,119	9,950,687	9,373,937
Finance lease receivables	18	391,495	351,657	-	-
Investments in subsidiaries	19	-	-	242,227	237,756
Investment in an associate	20	2,203	-	2,042	-
Investment property	22	279,311	227,793	-	-
Property, plant and equipment	21	91,093	85,255	90,890	84,984
Intangible assets	23	18,194	11,803	12,978	11,758
Deferred income tax asset	9	18,104	25,804	18,104	25,804
Other assets	24	51,944	72,433	27,941	49,843
Non-current assets and disposal groups held for sale	25	13,087	40,229	933	3,544
Total assets		**13,001,202**	**11,974,481**	**13,026,014**	**12,036,511**
LIABILITIES AND EQUITY					
Due to banks and other credit institutions	26	4,180,483	4,206,102	4,180,483	4,206,102
Derivative financial instruments	15	22,658	21,224	22,658	21,224
Due to customers	27	7,251,556	6,247,379	7,263,113	6,251,193
Debt securities in issue	28	207	13,464	207	13,464
Provisions	29	4,710	4,724	39,998	49,056
Other liabilities	30	52,381	48,904	43,725	41,377
Total liabilities		**11,511,995**	**10,541,797**	**11,550,184**	**10,582,416**
Equity attributable to equity holders of the Bank					
Ordinary shares	31	656,665	656,665	656,665	656,665
Share premium	31	282,929	282,929	282,929	282,929
Retained earnings		172,264	122,991	159,107	144,602
Reserves	32	377,349	370,099	377,129	369,899
		1,489,207	1,432,684	1,475,830	1,454,095
Total equity		**1,489,207**	**1,432,684**	**1,475,830**	**1,454,095**
Total liabilities and equity		**13,001,202**	**11,974,481**	**13,026,014**	**12,036,511**

These Financial Statements were signed on 20 February 2015:

B. Lund
President

J. Šaučiūnienė
Chief Accountant

The accounting policies and notes on pages 35 to 113 are an integral part of these financial statements.

(all amounts are in LTL thousand, if not otherwise stated)

THE GROUP STATEMENT OF changes IN EQUITY

	Issued shares	Share premium	Mandatory reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2013	**656,665**	**282,929**	**393**	**365,101**	**82,009**	**1,387,097**
Total comprehensive income	-	-	-	-	45,587	45,587
Transfer to mandatory reserve	-	-	4,605	-	(4,605)	-
Balance at 31 December 2013	**656,665**	**282,929**	**4,998**	**365,101**	**122,991**	**1,432,684**
Total comprehensive income	-	-	-	-	56,523	56,523
Transfer to mandatory reserve	-	-	7,250	-	(7,250)	-
Balance at 31 December 2014	**656,665**	**282,929**	**12,248**	**365,101**	**172,264**	**1,489,207**

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Chief Accountant

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THE bANK STATEMENT OF cHANGES IN EQUITY

	Issued shares	Share premium	Mandatory reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2013	**656,665**	**282,929**	**193**	**365,101**	**92,092**	**1,396,980**
Total comprehensive income	-	-	-	-	57,115	57,115
Transfer to mandatory reserve	-	-	4,605	-	(4,605)	-
Balance at 31 December 2013	**656,665**	**282,929**	**4,798**	**365,101**	**144,602**	**1,454,095**
Total comprehensive income	-	-	-	-	21,735	21,735
Transfer to mandatory reserve	-	-	7,230	-	(7,230)	-
Balance at 31 December 2014	**656,665**	**282,929**	**12,028**	**365,101**	**159,107**	**1,475,830**

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Chief Accountant

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THE Group AND bank STATEMENT OF CASH FLOWS

	Notes	Group 2014	Group 2013	Bank 2014	Bank 2013
Operating activities					
Interest receipt		264,650	267,464	260,463	259,172
Interest payments		(58,829)	(80,839)	(60,303)	(80,373)
Collected previously written-off loans		8,087	4,990	8,087	4,990
Net receipt from FX trading and operations in securities		33,855	11,660	33,855	11,660
Fee and commission receipt		128,013	120,044	126,664	120,360
Fee and commission payments		(30,088)	(25,387)	(29,286)	(24,853)
Salaries and related payments		(102,707)	(114,757)	(99,183)	(111,135)
Other payments		(160,548)	(157,006)	(164,174)	(156,395)
Net cash flows from operating activities before changes in operating assets and liabilities		**82,433**	**26,169**	**76,123**	**23,426**
(Increase) decrease in operating assets:					
(Increase) decrease in loans to credit and financial institutions		360,280	263,894	331,152	211,793
(Increase) decrease in loans granted, except loans to credit and financial institutions		(565,894)	(355,009)	(566,836)	(358,860)
(Purchase) of trading securities		(5,496,496)	(2,800,606)	(5,496,496)	(2,800,606)
Proceeds from trading securities		5,468,577	2,800,358	5,468,577	2,800,358
(Increase) decrease in other assets		(61,153)	(49,713)	(36,593)	4,133
Change in operating assets		**(294,686)**	**(141,076)**	**(300,196)**	**(143,182)**
Increase (decrease) in liabilities:					
(Decrease) in liabilities to credit and financial institutions		(21,208)	103,981	(16,942)	104,916
Increase (decrease) in deposits		1,001,976	370,347	1,005,453	371,588
Increase (decrease) in other liabilities		(3,575)	2,485	(3,337)	3,385
Change in operating liabilities		**977,193**	**476,813**	**985,174**	**479,889**
Income tax paid		**(449)**	**-**	**(1)**	**-**
Net cash flows from operating activities		**764,491**	**361,906**	**761,100**	**360,133**
Investing activities					
Acquisition of property, plant, equipment and intangible assets		(28,476)	(10,519)	(23,080)	(10,448)
Disposal of property, plant, equipment and intangible assets		9	79	9	4
Purchase of securities		(632,625)	(1,181,601)	(630,437)	(1,153,486)
Proceeds from securities		746,261	982,612	742,057	953,786
Dividends received		58	11	58	2,798
Interest received		3,728	6,296	3,544	6,113
Net cash flows from investing activities		**88,955**	**(203,122)**	**92,151**	**(201,233)**

THE GROUP AND BANK STATEMENT OF CASH FLOWS (CONTINUED)

		Group		Bank	
	Notes	**2014**	**2013**	**2014**	**2013**
Financing activities					
Own debt securities redemption		(11,996)	(56,730)	(11,996)	(56,730)
Interest paid		(309)	(2,719)	(309)	(2,719)
Net cash flows from financing activities		**(12,305)**	**(59,449)**	**(12,305)**	**(59,449)**
Net increase (decrease) in cash and cash equivalents		**841,141**	**99,335**	**840,946**	**99,451**
Net foreign exchange difference on cash and cash equivalents		11,158	(24,420)	11,353	(24,536)
Cash and cash equivalents at 1 January		**745,490**	**670,575**	**745,490**	**670,575**
Cash and cash equivalents at 31 December	35	**1,597,789**	**745,490**	**1,597,789**	**745,490**

These Financial Statements were signed on 20 February 2015:

B. Lund
President

J. Šaučiūnienė
Chief Accountant

The accounting policies and notes on pages 35 to 113 are an integral part of these financial statements.

GENERAL BACKGROUND

The name of AB DNB Bankas was registered on November 11, 2011. The Bank as a joint stock company was registered on September 13, 1993. The Bank possesses a license No.10 issued by the Bank of Lithuania, which entitles to provide financial services established in the Law on Banks of the Republic of Lithuania and the Law on Financial Institutions of the Republic of Lithuania.

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities as well as provides other financial services established in the Law of the Republic of Lithuania on Banks and on Financial Institutions.

As at 31 December 2014 the Bank owned the following subsidiaries:

- AB DNB Lizingas (leasing activities),
- UAB DNB Investicijų Valdymas (investment asset management activities),
- UAB DNB Būstas (real estate brokerage),
- UAB Intractus (real estate management, development and sale). UAB Intractus owned (0.1% of shares) company UAB Industrius (Company was registered in Legal Entities, State enterprise Centre of Register on 15 February 2011) and subsidiary UAB Gelužės projektai (acquired from Bank on 19 October 2011),
- UAB Industrius (real estate management, development and sale); Company capital increase was registered in Legal Entities, State enterprise Centre of Register on 21 December 2012.

As at 31 December 2014 the Bank owned 100% of the share capital of AB DNB Lizingas, UAB DNB Investicijų Valdymas, UAB Intractus, 99.92% UAB Industrius and 75.47% of the share capital of UAB DNB Būstas. AB DNB Lizingas owned 24.53% of the share capital of UAB DNB Būstas. UAB DNB Intractus owned 100% of the share capital of UAB Gėlužės projektai and 0.1% UAB Industrius. As at 31 December 2013 AB DNB Bankas Group (hereinafter referred to as “the Group”) in Lithuania consisted of AB DNB Bankas and its subsidiaries UAB Investicijų Valdymas, AB DNB Lizingas, UAB DNB Būstas, UAB Intractus, UAB Industrius, UAB Gėlužės projektai.

On 18th of November 2014 the Bank acquired 36.47 percent of shares of AB Informacinio verslo paslaugų įmonė (administration of utilities payments, registered in Lithuania on 5 April 1995).

The head offices of the Bank and subsidiaries UAB DNB Investicijų Valdymas and AB DNB Lizingas are located in Vilnius, Basanavičiaus str. 26, the head office of UAB Intractus, UAB Industrius and UAB Gelužės projektai are located in Vilnius, Vilniaus str. 18, the head office of UAB DNB Būstas is located in Vilnius, Švitrigailos str. 11 M.

At the end of the reporting period the Bank had 60 client service outlets (2013: 70 client service outlets). As at 31 December 2014 the Bank had 1,127 employees (2013: 1,221 employees). As at 31 December 2014 the Group had 1,158 employees (2013: 1,252 employees).

As at 31 December 2014 the authorized capital of the Bank is LTL 656,665,410 (2013: 656,665,410), which is divided into 5,710,134 (2013: 5,710,134) ordinary registered shares with LTL 115 par value each. As at 30 June 2011 Bank DnB NORD A/S (DK) was the single shareholder holding 100% of the Bank’s shares (2010; 100%). On 30 June 2011 Norway registered DNB Bank ASA, entity code 984851006MVA (until November 11, 2011 named DnB NOR Bank ASA) has acquired 100 percent of shares of AB DnB Nord bankas from Denmark registered Bank DNB NORD A/S, controlled by DNB Bank ASA. As disclosed in Note 31, *Share capital* DNB Bank ASA has become direct shareholder of the Bank owning 100 percent of its shares and voting rights.

After Bank DnB NORD A/S completed the squeeze-out procedure of AB DnB NORD Bankas and became the sole shareholder of the Issuer having 100 percent ownership of its shares and votes, on 12 February 2010 AB DnB NORD Bankas shares were delisted from the Secondary List of the stock exchange.

ACCOUNTING POLICIES

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

Basis of preparation of financial statements

The financial statements of the Group and the Bank are prepared in accordance with International Financial Reporting Standards effective as of 31 December 2014 that have been adopted for use in the European Union (hereinafter – IFRS). The financial statements are prepared on a historical cost basis, except for available-for-sale investment securities, securities designated at fair value through profit or loss, financial assets and financial liabilities held for trading, derivative financial instruments and investment properties, that have been measured at fair value.

These financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the parent Bank. In addition the financial information of Financial Group is presented in Note 41 in accordance with the requirements of the Bank of Lithuania.

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

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

During the year the Group has adopted the following IFRS amendments:

- Amendment to IAS 27 *Separate Financial Statements* - As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. This amendment did not impact the financial statements of the Company.
- Amendment to IAS 28 *Investments in Associates and Joint Ventures* - As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. This amendment did not impact the financial statements of the Group.
- Amendment to IAS 32 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities - This amendment clarifies the meaning of “currently has a legally enforceable right to set-off” and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This amendment did not impact the financial statements of the Group.
- Amendment to IAS 36 *Impairment of Assets* - This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment did not have any impact on the financial position or performance of the Group, however it resulted in additional disclosures (see Note 19).
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* - The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated subsidiaries, joint ventures and associates when an entity prepares separate financial statements. This amendment did not impact the financial statements of the Group.
- IFRS 10 *Consolidated Financial Statements* - IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. This amendment did not impact the financial statements of the Group.
- IFRS 11 *Joint Arrangements* - IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today’s accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. This amendment did not impact the financial statements of the Group.
- IFRS 12 *Disclosures of Interests in Other Entities* - IFRS 12 combines the disclosure requirements for an entity’s interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures are also required such as disclosing the judgments made to determine control over another entity. The amendment did not have any impact on the financial position or performance of the Group, however it resulted in additional disclosures (see Note 20).
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities - The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. This amendment did not impact the financial statements of the Group.

Standards issued but not yet effective

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative* *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

ACCOUNTING POLICIES (continued)

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Group, as the Group does not use revenue-based depreciation and amortisation methods.

Amendments to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 February 2015)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Group's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Group.

Amendments to IAS 27 *Equity method in separate financial statements* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 9 will eventually replace IAS 39. The IASB has issued the first three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the consolidation exception* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The implementation of this amendment will have no impact on the financial statements of the Group, as the Bank is not an investment entity.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group has not yet evaluated the impact of the implementation of this standard.

Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 14 *Regulatory Deferral Accounts* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

It is an interim standard that provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The implementation of this standard will not have any impact on the Group.

IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group has not yet evaluated the impact of the implementation of this standard.

ACCOUNTING POLICIES (continued)

Improvements to IFRSs

In December 2013 IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to the following IFRSs (effective for financial years beginning on or after 1 January 2015):

- IFRS 1 *First-time adoption of IFRS*;
- IFRS 3 *Business Combinations*;
- IFRS 13 *Fair value Measurement;*
- IAS 40 *Investment property*.

In December 2013 IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):

- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments;*
- IFRS 13 *Fair value Measurement;*
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures;*
- IAS 38 *Intangible Assets.*

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting*.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group.

IFRIC Interpretation 21 *Levies* (effective for financial years beginning on or after 17 June 2014)

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The Group has not yet evaluated the impact of the implementation of this interpretation.

The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

Use of estimates in the preparation of financial statements

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

Going concern

The Group's management is fully convinced of stable and balanced performance going forward and based on that prepared these financial statements on the going basis.

Impairment losses on loans

The Bank and the Group review their loan and finance lease receivable 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 makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolios of loans and finance lease receivables before the decrease can be identified with an individual loan in those portfolios.

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 loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when assessing 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.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. For fair value of financial assets and liabilities refer to Notes 13-15.

ACCOUNTING POLICIES (continued)

Fair value of investment properties

Investment properties are stated at fair value, which for the major part of properties has been determined according to valuations performed by accredited independent valuers. The valuation model for the Group's investment properties was formed based on market comparable and income approaches.

For fair value of investment properties refer to the Note 22.

Deferred tax asset

Deferred tax asset is recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. For carrying amounts see Note 9.

Investment in subsidiaries

The Bank assess whether an impairment loss for subsidiaries should be recorded in the income statement at least once a year. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as there is any observable data indicating that there is a measurable changes in the estimated future cash flows, business growth and risk cost of subsidiaries.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Investment funds and pension funds management

The Group assesed that it does not control Investment and pension funds it manages. This is because the Group has a narrow scope of decision making powers (within local laws and regulations the funds manager has a disrection about the assets in which to invest), remuneration is commensurate with the services provided, no obligation to funds losses.

Consolidation

Subsidiaries are all investees over which the Bank has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date that control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.
The Group's investment into associate is accounted for using the equity method and initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the asssociate since the aquisition date. The statement of profit or loss reflects the Group's share of the results of operations of the associate. The financial statements of the associate are prepared for the same reporting period as the Group.
Once a year the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and it's carrying value and then recognises the loss as share of profit of an associate in the statement of profit or loss.

Foreign currency translation

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

All monetary assets and liabilities denominated in foreign currencies are translated into Lithuanian litas (LTL) at the official rate of the Bank of Lithuania prevailing at the reporting period end. Gains and losses arising from this translation are included in the income statement for the period. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.

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

ACCOUNTING POLICIES (continued)

Recognition of income and expenses

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.
Loan origination fees for loans and other credit related fees are deferred (together with any incremental costs) and accounted for as an adjustment to the effective interest rate calculation for each issued loan separately.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income and expense

Income and expense of fees and commissions are generally recognised on an accrual basis when the service has been provided.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Other expenses

Other expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred. The amount of expenses is usually accounted for as the amount paid or due.

Dividend income

Dividends are recognised in the income statement when entity's right to receive payments is established.

Taxation

Income tax

In accordance with the Lithuanian Law on Corporate Income Tax, the current income tax rate is 15% on taxable income. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation.

Deferred income tax is provided using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that a taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities. The losses from disposal of securities can be carried forward for 5 consecutive years. Starting with 1 January 2014 tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum 70%.

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

ACCOUNTING POLICIES (continued)

Other taxes

Other taxes are included in other expenses in the income statement.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the cash, other valuables, correspondent bank account balances, correspondent account and one night deposits with the Bank of Lithuania and short-term treasury bills with the original maturity term of less than three months. Required reserves in national currency in Central Bank are also treated as cash as readily available.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial assets

Financial assets are classified into these groups: financial assets designated at fair value through profit or loss, loans and receivables, financial assets available for sale. Management determines the classification of its investments at initial recognition.

Financial assets designated at fair value through profit or loss

Securities designated at fair value through profit or loss

Securities classified in this category are designated at fair value through profit or loss on initial recognition when the following criterias are met:

• that type of classification eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on different bases; or
• a group of securities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group of these assets is provided internally to Bank’s management.

Securities designated at fair value through profit or loss are recognized at settlement date, which is the date that an asset is delivered to or by the Group. They are initially recorded in the statement of financial position at fair value. Changes in fair value are recorded in net gain (loss) on operations with securities.

Trading securities

Trading securities are securities which were acquired either for generating a profit from short-term fluctuations in price or dealer’s margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at fair value, which is based on quoted bid prices. All related realised and unrealised gains and losses are included in net trading income or expenses. Dividends received are included in dividend income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention (‘regular way’ purchases and sales) are recognised at settlement date, which is the date that an asset is delivered to or by the Group**.**

Derivative financial instruments

Derivative financial instruments including foreign exchange forwards, swaps, options (both written and purchased) and other derivative financial instruments are initially recognised in the statement of financial position at their fair value. Fair values are determined according to the model, based on market observable inputs. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives held for trading are included in net trading income.

Certain derivatives embedded in other financial instruments, such as index linked options in bond issued or deposits, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Certain derivative transactions, while providing effective economic hedges under the Group’s risk management policy, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in net trading income.

Fair values of the derivative financial instruments are disclosed in Note 15.

ACCOUNTING POLICIES (continued)

Repurchase and reverse repurchase agreements

The securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability, reflecting the transaction's economic substance as a loan to the Bank.

The securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. Reverse repurchase agreements are classified as loans and receivables to other banks or customers, and are accounted for using the amortised cost method. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Loans

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the bank upon initial recognition designates as at fair value through profit or loss; (b) those that the bank upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans are carried at amortised cost using the effective interest method.

Loans and advances are recognised at their settlement date, when cash is advanced to borrowers. From the date of signing a contractual agreement till the settlement date they are accounted for as off-balance sheet items.

Impairment losses on loans, finance lease receivables and other assets

Losses on loan impairment are established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment losses is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, based on financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. 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.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. The main criterias that the Group uses to determine whether there is objective evidence of an impairment include:

- Delinquency in contractual payments of principal or interest;
- Significant financial difficulties of the borrower or issuer;
- Due to economic or legal reasons pertaining to financial difficulties of the borrower the latter benefits from allowance, which otherwise would not be granted by the Bank;
- Initiation of bankruptcy or reorganisation process against the borrower or issuer;
- Cessation of the active market of debt securities caused by financial difficulties;
- Breach of loan conditions, infringement of other covenants related to loan issue;
- Default on obligations by persons related to the borrower;
- Suspension or revocation of the license held by the borrower or issuer engaged in licensed activity (production and sales of alcoholic beverages, trade in oil products, medical, educational and training practice, sale of electricity to independent consumers, etc.);
- Deterioration in the value of collateral.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually material, and individually for financial assets that are not above materiality thresholds. If the Group determines that no objective evidence of impairment exists for an individually assessed financial assets, whether material 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 recognized are not included in a collective assessment of impairment. The Group also collectively assesses the impairment for the financial assets, when a loss event has occurred but it cannot be attributed either to particular type of assets or to the particular group of assets.

When a loan is uncollectible, it is written off against the related allowances for loan impairment. Such loans are written off after all necessary procedures have been completed and the amount of the loss has been determined.

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

ACCOUNTING POLICIES (continued)

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Bank and the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank and the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank and the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank and the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank and the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's and the Group's continuing involvement is the amount of the transferred asset that the Bank and the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's and the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over their estimated useful life.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Property, plant and equipment

Property, plant and equipment are held at historical cost less accumulated depreciation and any impairment in value. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount

ACCOUNTING POLICIES (continued)

if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are charged to the income statement. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Asset maintenance costs are charged to the income statement when they are incurred. Significant renewals of assets are capitalised and depreciated over the remaining useful life period of the improved asset.

Non – current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale and the sale is expected to be completed within one year from the date of classification.
Non – current assets classified as held for sale are not depreciated or amortised.

Fair values of the non-current assets held for sale are disclosed in Note 25.

Leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group company is the lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of lease and included into other administrative expenses.

Group company is the lessor

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

Finance leases

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

Assets / funds under management and related liabilities

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

Bank's assets under management include loans that are managed by the Bank in the name of the Lithuanian Ministry of Finance and the Lithuanian Ministry of Agriculture. The Group's assets under management also include funds under management and are accounted for off-balance sheet.

Debt issued and other borrowed funds

Issued financial instruments and their components, which are not classified at fair value through profit or loss, are classified as financial liabilities, where the substance of the contractual arrangement results in the Bank and the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Borrowings (including debt securities issued) 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 yield method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate. Borrowings are recognised on the day of settlement.

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

ACCOUNTING POLICIES (continued)

The Group has issued index linked bonds where fair value of the embedded derivative is determined by comparison with observable current market transactions in the same instrument. The fair value of the host contract 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 the fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value is deferred and is not recognised immediately in the profit and loss.

Debt securities are subsequently measured at amortised cost, adjusted for the deferred profit or loss.

Employee benefits

Social security contributions

The Group pays social security contributions 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 pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs. Social security contributions each year are allocated by the Fund for pension, health, sickness, maternity and unemployment payments.

Termination benefits

Termination benefits are payable when an employee's employment is terminated on initiative of employer or the employment is terminated by mutual employee's and employer's agreement. The Group recognises 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. Benefits falling due more than 12 months after statement of financial position date are discounted to present value. Termination benefits are included within staff costs in the income statement and within other liabilities in the statement of financial position.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The expense relating to any provision is recognised in the income statement. If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Financial guarantees and credit-related commitments

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of the financial guarantee on the initial recognition does not include the gross receivable for future premiums not yet due. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee or the best estimate of the expenditure required to settle any financial obligation arising at the statement of financial position 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 other operating expenses.

Documentary and commercial letters of credit represent written undertakings by the Bank and the Group on behalf of a customer authorising a third party to draw drafts on the Bank and the Group up to a stipulated amount under specific terms and conditions.

Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

ACCOUNTING POLICIES (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value of interest-bearing financial instruments is estimated based on discounted cash flows using the interest rates for items with similar terms and risk characteristics. In the case of inactive markets the establishment of valuation techniques for measuring the fair value is provided.

Offsetting financial assets and financial liabilities

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.

Off-balance sheet items

Off-balance sheet derivative transactions are marked to market at the reporting date and any arising profit or loss is recognised in the income statement for the period and treated as an asset or liability in the statement of financial position respectively.

All liabilities that might give rise to statement of financial position exposures are accounted for as off-balance sheet liabilities. This allows the Bank and the Group to assess capital requirement and to allocate funds required to cover those obligations.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Earnings per share

Basic earnings per share amounts are calculated by dividing net result for the year attributable to ordinary equity holders of the parent by the weighted number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net result attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Subsequent events

Post-year-end events that provide additional information about the Bank’s position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Prior year figures were corrected where needed in order to make them comparable to current year presentation.

FINANCIAL RISK MANAGEMENT

The Group analyses, evaluates, accepts and manages the risk or combinations of risks it is exposed to. Risk management at DNB Group aims at ensuring an acceptable profitability and return on equity following the adequate risk management policy. While implementing a sound risk management policy the Group focuses not only on minimising potential risk but also on improving pricing and achieving efficient capital allocation. Risk management function of the DNB Group in Lithuania is part of the risk management system of the International DNB Group.

The most important types of risk the Group is exposed to are credit risk, market risk, liquidity risk, operational risk and business risk. Concentration risk is assessed as part of credit risk. Other types of concentration were assessed to be less material for the Group. Market risk includes currency risk, interest rate and equity price risk.
The main risk management principles are revealed in the Risk Management Strategy:

- risk management is based on the best practice of the institutions having similar complexity of the products, services and extent of the activities and follows uniform risk management principles of the international DNB Group;
- if the situation is unclear or if any doubts occur with respect to appropriateness of risk management the Group follows principles of precaution, conservatism and prudence;
- risk management is organized in such a way that any possible conflicts of interest among the personnel or between the structural units would be avoided. The principle is being taken into action by designing Bank's organisational structure, defining functions and responsibilities as well as subordination links. The Bank aims to design an organizational structure which would ensure effective and reliable governance both at the Bank and the Group level.

Risk management process in the Group includes:

- Risk identification. The identification of new risks is performed during internal risks self assessment process.
- Quantitative evaluation of risks and calculation of internal capital for covering them. The major part of risk the Group is exposed to in its activities is evaluated quantitatively (credit, market, partly operational);other risks, which depend on multiple factors and outcomes of which can not be reliably forecasted quantitatively, are evaluated qualitatively (operational risk). Internal capital is calculated taking into account possible outcomes for the Group due to realization of risks.
- Consolidation (aggregation) of risks.
- Ex-ante control is performed by setting operations‘ limits, planning pricing, selecting suitable for the Group customers or segments of customers. Ex-ante control of risks also covers planning of crisis management and business continuity, stress testing.
- Risk monitoring. Continuous supervision and control should ensure that assumed risks comply with acceptable for the Group risk level and structure. Risk restricting limits set by the Group are monitored on a regular basis. Processes and compliance with qualitative requirements are tracked in case of risks which can not be measured quantitatively.
- Ex-post control. Internal reports play an important role in control of outcomes, which allows for timely evaluation of occurrence and dimension of risks and implementation of appropriate measures for avoiding the risk or mitigating it in the future. The Group deals with this type of control by transferring risk or part of risk (hedging), increasing capital, diversifying risks.

New types of activity or products as well as financial instruments are incorporated into the Group‘s activity after these conditions are met:

- the market analysis for the new product was done;
- the procedure for usage, evaluation and accounting of new type of activity, product or financial instrument was prepared;
- the risk, internal control, possible need of capital was evaluated and/or risk limits were approved.

The risk management function of the Group is organised in such a way that ensures efficient risk management and facilitates the realisation of the tasks stipulated in the Risk Management Strategy. The management of separate risks of the Group is under responsibility of structural units within their competence limits. The function of all-type risk control is segregated from risk taking, i.e. from the front-office units.

<u>Risk division organisational structure:</u>

Executive Vice President / Risk Division A.B.Prestholdt					
Operational Risk Department	**Credit Management Department**	**Risk Quantification and Portfolio Analysis Department**	**Markets and Treasury Support and Control Department**	**Special Assets Department**	**Compliance Department**
	<u>Credit Officers</u>			<u>Real Estate Credit Work-out Unit</u>	
	<u>Support Unit</u>			<u>Corporate Credit Work-out Unit</u>	

The control function for the major material risk – credit risk – is under responsibility of the Risk Quantification and Portfolio Analysis Department. Strengthening the control of operational risk management in the Group, the new separate structural unit – Operational Risk Department - was established in the year 2012. In order to strengthen control and enhance support of DNB Markets value chain, the separate Markets and Treasury Support and Control Department was established in the same year. All three organizational units responsible for the control of financial risks –Risk Quantification and Portfolio Analysis Department,

FINANCIAL RISK MANAGEMENT (continued)

Operational Risk Department and Markets and Treasury Support and Control Department – report directly to the Chief Risk Officer, who is as well the member of the Management Board.

Ensuring that the business activities of the Group comply with the laws and other external rules and regulations, an independent Compliance Department identifies, assesses, advises on, monitors, tests and reports on compliance risks. The Compliance Department is structurally subordinated to the Chief Risk Officer and functionally reports to the CEO of the Bank and to DNB Bank ASA Compliance Officer.

The aims of internal control system are to avoid mistakes, losses and various violations in the Bank and the Group. The Management Board is responsible for creation and maintenance of effective internal control system in the Group.

Risk management processes and efficiency of internal control are assessed by the Internal Audit Department.

The Management Board approves the procedures having significant impact on risk management and risk mitigation measures associated with the risk management. In certain cases when it is not prohibited by legal or regulatory requirements responsibility for approval is delegated to the Chief Risk Officer.

The functions of ensuring optimal Bank's capital structure as well as management and control of liquidity and market risks are delegated to the non-structural unit - Risk Management Committee (hereinafter referred to as RMC). RMC also takes responsibility for efficient management and control of operational risk (including compliance and legal risks) as well as monitoring of all financial risks. Risk reports containing analysis on all risks are presented to RMC on a regular basis.

Credit Committee was founded for the improvement of overall credit risk management quality in the Group and for regular reporting to the Management Board on achievement of targets set in relation with credit risk management. The functions of the Credit Committee also include approval of action plans for high risk customers and providing the recommendations on decisions related with risk of significant exposures. Assessment of impairment losses for the customers with the largest exposures is discussed and agreed at the Credit Committee.

1. Credit risk

Credit risk means the risk for the Group to incur losses due to the customers' failure to fulfill their financial obligations towards the Group. Credit exposures arise principally in lending activities and it is the most significant risk in the Group's business. During the year 2014 in general the positive trend in clients' overdue status and risk level was observed.

The key elements of credit risk management are Group Credit Policy, Credit strategy for business customers and Credit strategy for private individuals, which are based on the uniform international DNB Group guidelines for credit activity and its credit strategies. Practical aspects of the application of the principles of the documents in credit activity and decision making processes are regulated in detail by Credit Manual.

According to the Group's Credit Policy and credit strategies, the principal objective for credit activity is that the loan portfolio should have a quality and a composition which ensure profitability in the short and long term. The target loan portfolio should maintain the credit risk profile varying from low to moderate. The assessment of creditworthiness should be based on customer's ability to perform on its financial obligations as well as cash flows from customers' activities dedicated for loan payments should be clearly understandable and sustainable.

Credit risk arises as well from investment activities (e.g., debt securities), the Group's assets as well as from the off-balance sheet financial instruments, such as loan commitments, guarantees and letters of credit.

Credit risk management is an independent function from the front-office. Final approval of credits above a certain level is done together with the independent credit officers. In all cases the four-eyes principle must be followed.

The Group's management bodies are kept informed on level and developments of the assumed credit risk by means of regular reports.

1.1. Credit risk measurement

(a) Loans and advances

Credit risk is managed by carrying out a thorough analysis of the customer before issuing credits and by monitoring thereof after the credit disbursement. All customers granted credits must be classified according to risk using rating instruments every time a commitment is renewed or, unless otherwise decided, at least once a year.

The credit risk is assessed by using customer / product segment specific scoring and rating instruments, which are used for homogeneous groups of customers:

- large corporates,
- small and medium-sized enterprises (SMEs),
- microbusiness (e.g., small single ownership companies),
- real estate project of legal entities,
- individual customers.

FINANCIAL RISK MANAGEMENT (continued)

Scoring and rating models are approved both at international DNB Group level and by the Bank's Management Board. These instruments are constantly improved following the results of the analysis of historical data on the credit risk related losses and tested for reliability (validated).

In the year 2014 special emphasis was put on the further amendment of risk based credit pricing for all customer / product segments and risk adjusted profitability measurement for business lines as well as of risk measurement tools for the business customers. The rating tool for large corporates with annual sales exceeding EUR 125 million will start to be used from the beginning of 2015. The newly developed SME rating tool will see its implementation into credit processes in 2015 too.

The internal scoring and rating instruments are applied for decision making, pricing, monitoring and risk reporting as well as for economic capital (risk adjusted capital, hereinafter referred to as RAC) calculation. RAC is used for decision making with respect to strategic capital allocation, i.e. for determining the strategic segments in credit activity as well as for the capital planning for the Bank and the Group.

Whenever the large business customers are granted loans, in addition the risk adjusted profitability for the Group is assessed both at the individual loan and at the customer level, i.e. the return on risk adjusted capital (RORAC) is measured. For this purpose the advisory tool is implemented , which plays an important role in the pricing and decision making for business customers with exposure of more than EUR 1 million. The same principles of RAC-based pricing as well as RORAC-based profitability assessment are as well extended to the other segments of loan portfolio through standardized pricing tool or rules. The risk based credit pricing tools for all customer / product segments are monitored regularly and updated, if needed.

The Group considers building of competence of its employees as a prerequisite for creating the sound credit culture within organization. Therefore it puts special emphasis on internal training of its employees involved in credit activities on credit analysis, usage of rating tools, understanding of risk parameters, which are an integral part of decision making, and risk based pricing principles.

(b) Debt securities

Debt securities are in the region of 5 per cent of the total assets of the Group. The credit risk arising from them is considered as being immaterial. 98.5% of Bank owned debt securities are issued by government of Lithuania, average duration does not exceed 1 year. Debt securities investments in the Bank portfolios are performed in accordance with the limits set by the Bank and the parent bank. Limit utilization is monitored daily.

1.2. Risk limit control and mitigation policies

(a) Concentration risk

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

The Group's portfolio of the products bearing credit risk is well diversified with respect to lending to the groups of the connected borrowers and a single borrower.

Concentration risk of lending to the economic sectors is regarded as being material and is closely monitored and controlled. Complimentary to the Bank of Lithuania requirements to limit the large exposures to a single borrower or the group of related borrowers, the Group also sets limits to economic sectors, i.e. a possible concentration in certain economic sectors at the Group level is restricted by the internal lending limits. Percentage and volume (when lending to certain economic sectors is feasible only in extremely exceptional cases by decision of higher competence level) lending limits are set for individual industries. These limits, which are approved by the Management Board, are set based on macroeconomic analysis, current loan portfolio structure, incurred losses by economic sectors, the Group's strategic plans.

At the end of the year 2014, the loan portfolio of the Group was well diversified by economic sectors and none of the set limits was exceeded.

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

Concentration risk limits are set and monitored centrally at the Group level. The limits imposed on the loans issued are monitored on a regular basis and subject to a review, when considered necessary.

Some other specific risk control and mitigation measures are outlined further on.

(b) Collateral

The Group prefers the customer's ability to repay the loan in the lending process, giving less importance to the pledged collateral measure.

The Group mitigates credit risk through taking of security for funds advances. Types of collateral considered by the Group as the most acceptable for securing loans and advances are the following:

- Real estate (mainly residential properties, commercial real estate);
- Business assets (equipment, inventory, transport vehicles);
- Property rights over financial instruments (debt securities, equities, cash);
- Guarantees.

FINANCIAL RISK MANAGEMENT (continued)

The terms of the loans are taken into account when considering the type of collateral, a priority for long-term loans being the long-term property, mainly residential properties.

Long-term financing and lending to business customers are generally secured; revolving facilities and consumer loans to private individuals are usually unsecured. In order to minimise the credit loss the Group may seek for additional collateral from the counterparty as the impairment indicators for certain individual loans and advances are noticed.

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

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

(c) Derivative financial instruments

The credit risk arising from derivative instruments is managed daily by assessing the potential market value changes. Margining agreements are established with the clients. To manage credit risk of these financial instruments credit lines are granted, cash or securities collateral is less frequently used. In most cases deals are contracted in order to hedge client's cash flow.

(d) Credit-related commitments

Other credit-related commitments assumed by the Group include guarantees, letters of documentary credit, commitments to grant a credit which expose the Group to the same credit risk as the loans do. The key aim of these instruments is to ensure that funds are available to a customer as required. The aforementioned commitments are collateralised either by the funds in the Bank's account, by material assets (real estate being the preference) or other collaterals such as third party guarantees. With respect to credit risk arising from commitments to extend credit, the Group is exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customer's ability to repay the loans already granted.

1.3. Impairment policies

Upon assessing impairment losses on loans, available for sale assets and other financial assets the Group follows the requirements of IAS 39 Financial instruments: recognition and measurement. Impairment losses are recognized for financial reporting purposes only for those losses that have been incurred due to the loss events that have taken place before the statement of financial position date based on objective evidence of impairment. By contrast, the Group employs expected loss concept for credit risk measurement in decision making, pricing, monitoring of credit risk related exposures and capital management.

All material exposures are reviewed every quarter to see for which of them loss event exists. Impaired large exposures that are above materiality thresholds and for which loss event is present are reviewed every quarter or more frequently when individual circumstances require and valuation is updated when there are significant changes in cash flows but valuation is performed no less than once a year. The impairment losses for impaired large exposures are made based on individual valuation under the discounted cash flow method, where both future cash flows from borrower's operations and cash flows from collateral are taken into account. The amount of the impairment losses is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows discounted based on the original effective interest rate, taking into account the costs incurred by the Group for the realisation of collateral. In more complicated cases two scenarios with certain probability weights are used and impairment losses are the result of calculations based on weighted future cash flows.

The impairment allowances for impaired small exposures are made distinguishing on customer type or product type: SMEs (including farmers), mortgages and consumer loans. The impairment rates are based on the historical data on actual losses and expert judgment. These methodologies enable an assessment of the incurred loss of a high number of the impaired small exposures and at the same time provide a possibility to focus on the individual assessment of the Bank's largest impaired borrowers under the discounted cash flow method.

The Group collectively assesses the remaining performing loans for which the impairment losses are not yet identified. This type of assessment methodology enables the Group to evaluate the possible impairment of loans and advances at an earlier stage. It relies on historical data on trends in default rates / payments delinquencies and loan impairment losses analysed separately for private individuals and legal entities.

Valuation of finance lease receivables follows broadly the same concept as described above. Impairment indicators for finance lease receivables are the same as for loans.

The loans and advances are written off when the Group does not expect any significant cash flows neither from the borrowers' activities nor from the realisation of the collateral.

FINANCIAL RISK MANAGEMENT (continued)

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

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Credit risk exposures relating to on-balance sheet assets are as follows:				
Cash and balances with central banks	**1,367,690**	**482,885**	**1,367,690**	**482,885**
Due from banks and other credit institutions	**490,663**	**883,492**	**490,663**	**883,492**
Loans and advances to customers:	**9,451,064**	**8,904,119**	**9,950,687**	**9,373,9375**
Loans and advances to financial institutions	**31**	**16**	**368,964**	**340,086**
Loans to individuals (retail):	**4,272,833**	**4,067,073**	**4,272,833**	**4,067,073**
- Consumer loans	202,965	175,394	202,965	175,394
- Mortgages	4,042,325	3,860,334	4,042,325	3,860,334
- Loans secured by equity linked bonds issued by Bank	9,885	9,654	9,885	9,654
- Other (credit cards, reverse repurchase agreements, other loans backed by securities, other)	17,658	21,691	17,658	21,691
Loans to business customers:	**5,178,200**	**4,837,030**	**5,308,890**	**4,966,778**
- Public authorities, state and municipal entities	1,079,835	957,642	1,079,835	957,642
- Large corporates	2,479,792	2,317,070	2,610,482	2,317,070
- SMEs	1,304,119	1,282,548	1,304,119	1,412,296
- Farmers	312,144	276,750	312,144	276,750
- Other	2,310	3,020	2,310	3,020
Finance lease receivables	**391,495**	**351,657**	**-**	**--**
- Individuals	48,548	39,330	**-**	-
- Business customers	342,947	312,327	**-**	-
Trading assets:	**85,145**	**53,506**	**85,145**	**53,506**
- Debt securities	85,145	53,506	85,145	53,506
Securities designated at fair value through profit or loss	**715,761**	**822,980**	**711,266**	**816,477**
- Debt securities	714,609	821,544	710,239	815,557
- Equity securities	1,152	1,436	1,027	920
Derivative financial instruments	**25,448**	**12,525**	**25,448**	**12,525**
Securities available for sale	**-**	**-**	**-**	**-**
- Debt securities	**-**	-	**-**	-
- Equity securities	**-**	-	**-**	-
Credit risk exposures relating to off – balance sheet items are as follows:	**1,820,152**	**1,641,252**	**2,354,359**	**2,219,959**
- Financial guarantees	402,178	417,525	621,394	649,705
- Loan commitments and other credit related liabilities	1,417,974	1,223,727	1,732,965	1,570,254
December 31	**14,347,418**	**13,152,416**	**14,985,258**	**13,842,781**

The table above represents credit risk exposure at 31 December 2014 and 2013, without taking into account any credit risk mitigation techniques. On-balance sheet assets are reported above based on the net carrying amount as they appear in the statement of financial position.

Large corporates are legal entities with annual turnover higher than LTL 51,8 million (EUR 15 million), while SMEs are legal entities with annual turnover up to LTL 51,8 million (EUR 15 million).

Loans and advances to banks and customers account for 69% of the total maximum exposure of the Group (2013: 74%) and for 70% of the total maximum exposure of the Bank (2013: 74%).

Due to improved clients' risk profile as well as due to write-offs, positive trends in the quality of the portfolio of loans and advances to customers are noticeable: the ratio of impairment losses to the respective Group's portfolio in 2014 was 4.7% whereas in 2013 it stood at 7.5%.

Possible credit risk losses are significantly reduced by collaterals: mortgage loans and 56% of loans and advances to business customers are secured by collateral (see paragraph 1.5(e) for more detailed information on collateralization).

FINANCIAL RISK MANAGEMENT (continued)

The Group pays special attention on determining proper acceptable risk criteria (regarding financial status of the customer and currency of the contract) which are applicable in decision making on granting of loans as well as on monitoring process seeking to sustain optimal credit risk level.

1.5. Loans and advances

Loans and advances are summarized as follows:

Group

	31 December			
	2014		2013	
	Loans and advances to customers	Due from banks and other credit institutions	Loans and advances to customers	Due from banks and other credit institutions
Neither past due nor impaired	8,009,891	490,663	6,971,577	883,492
Past due but not impaired	912,461	-	1,163,104	-
Impaired	994,736	-	1,365,454	-
Gross	**9,917,088**	**490,663**	**9,500,135**	**883,492**
Less: allowance for impairment	(466,024)	-	(596,016)	-
Net	**9,451,064**	**490,663**	**8,904,119**	**883,492**

Bank

	31 December			
	2014		2013	
	Loans and advances to customers	Due from banks and other credit institutions	Loans and advances to customers	Due from banks and other credit institutions
Neither past due nor impaired	8,509,514	490,663	7,441,395	883,492
Past due but not impaired	912,461	-	1,163,104	-
Impaired	994,736	-	1,365,454	-
Gross	**10,416,711**	**490,663**	**9,969,953**	**883,492**
Less: allowance for impairment	(466,024)	-	(596,016)	-
Net	**9,950,687**	**490,663**	**9,373,937**	**883,492**

Past due but not impaired loans and advances mean loans and advances that are past due but have no individual allowances for impairment.

Impaired loans and advances mean loans and advances that have individual allowances for impairment.

During the year 2014 the Group's total loans and advances increased by 4.4%. The Group's total impairment allowance for loans and advances is LTL 466,024 thousand (2013: LTL 596,016 thousand) and it accounts for 4.7% of the Group's respective portfolio (2013: 7.5%). The Group's impaired loans and advances to customers make 10.0% of the respective portfolio (2013: 17%). The reasons for the decrease are the improving creditworthiness of the existing customers, inflow of new solvent customers into the portfolio as well as write-offs.

FINANCIAL RISK MANAGEMENT (continued)

a) Loans and advances neither past due nor impaired

Credit risk of lending to banks is assessed at international DNB Group level, which as well sets exposure limits for different credit risk related products based on the results of these assessments.

Loans to individuals are assessed based on application scorings when decision is made. After the loans are granted they are monitored, the customer's status is periodically evaluated using the behavioral scoring tool.

Credit quality of loans to individual and business customers is disclosed in the tables below according to the masterscale, which is used in the whole international DNB Group.

Rating grades are linked with one year horizon probabilities of default, i.e. with probabilities that customer will become unable to perform on its financial obligations to the bank within one year after assignment of rating grade. Probability of default for low risk rating grades (1 to 4) is in the range from 0.00% to 0.75%, for moderate risk rating grades (5 to 7) it is from 0.75% to 3.00%, while it is more than 3.00% for high risk (from 8 to 12).

31 December 2014

	Bank loans to customers		
	Business customers	**Individual customers**	**Total**
Low risk	2,067,562	2,844,813	4,912,375
Moderate risk	2,554,283	561,805	3,116,088
High risk	351,922	129,129	481,051
Total	**4,973,767**	**3,535,747**	**8,509,514**

Total figures of the Group would be lower by LTL 499,623 thousand due to loans to subsidiaries – AB DNB Lizingas, UAB Intractus, UAB Industrius, which are assigned to low risk.

31 December 2013

	Bank loans to customers		
	Business customers	**Individual customers**	**Total**
Low risk	1,530,751	2,528,338	4,059,089
Moderate risk	2,277,356	396,702	2,674,058
High risk	473,364	234,884	708,248
Total	**4,281,471**	**3,159,924**	**7,441,395**

Total figures of the Group would be lower by LTL 469,818 thousand due to loans to subsidiaries – AB DNB Lizingas, UAB Intractus, UAB Industrius, which are assigned to low risk.

b) Loans and advances past due but not impaired

Gross amount of loans and advances are reported in the tables below. At 31 December 2014 and 2013 there were no past due but not impaired loans in category "Loans and advances to banks" either at the Bank or at the Group level.

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding types of collateral. In subsequent periods, the fair value of collateral is updated when the exposure becomes impaired or regular monitoring of material credit risk related exposures indicates a possibility of significant changes in collateral value (see more detailed explanation on recognition of collateral in paragraph 1.5(e)).

FINANCIAL RISK MANAGEMENT (continued)

31 December 2014

	Group and Bank loans to customers		
	Business customers	**Individual customers**	**Total**
Past due up to 3 days	226,514	399,639	626,153
Past due 4 -30 days	15,373	11,480	26,853
Past due 31-60 days	51,507	81,839	133,346
Past due 61-90 days	13,280	22,843	36,123
Past due more than 90 days	34,324	55,662	89,986
Total	**340,998**	**571,463**	**912,461**
Value of risk mitigation measures	261,260	547,084	808,344

31 December 2013

	Group and Bank loans to customers		
	Business customers	**Individual customers**	**Total**
Past due up to 3 days	224,015	395,505	619,520
Past due 4 -30 days	117,334	149,011	266,345
Past due 31-60 days	30,282	11,109	41,391
Past due 61-90 days	48,838	35,806	84,644
Past due more than 90 days	120,588	30,616	151,204
Total	**541,057**	**622,047**	**1,163,104**
Value of risk mitigation measures	392,916	584,140	977,056

Major part of loans and advances reported as past due but not impaired are past due up to 3 days. It is explained by the fact that the repayments for customers were scheduled on the last working day of the year and payment settlement for part of customers was delayed because of non-working days.

c) Impaired loans and advances

Accrued interest income for individually impaired loans and advances to customers amount to LTL 65,162 thousand as of December 31, 2014 (2013: LTL 71,667 thousand).

There are no individually impaired loans and advances to banks and financial institutions either at the Bank or at the Group level as of December 31, 2014 and 2013.

The gross amount of individually impaired loans and advances by customer type is reported together with the value of related collateral held as security in the tables below.

Individually impaired loans and advances are most often secured by real estate and movable assets. Value for such collateral is equal to its market value (not liquidation value), which is updated shortly after identification of impairment.

The loans and advances which are not impaired individually are grouped and assessed for collective impairment. Loans and advances are grouped into private individuals and legal entities.

	Group and Bank loans		
	Business customers	**Individual customers**	**Total**
31 December 2014			
Individually assessed impaired loans	663,410	331,326	994,736
Value of collateral	370,150	204,668	574,818
31 December 2013			
Individually assessed impaired loans	847,122	518,332	1,365,454
Value of collateral	569,141	390,640	959,781

FINANCIAL RISK MANAGEMENT (continued)

d) Renegotiated loans and advances

The renegotiation of the loans is performed at the different levels of competence taking into account significance and level of risk of these loans. There is a minor increase in volumes in Mortgage and SMEs loans but the number of renegotiated loans remained stable and even decreased for the Mortgage loans. As in the previous years business customers dominate in the distribution of renegotiated loans between business and individual customers segments.

The table below discloses the volume of loans that were renegotiated in the years 2014 and 2013.

	Group and Bank loans	
	2014	**2013**
Loans to individuals (retail):	**28,286**	**26,327**
- Consumer loans	379	492
- Mortgages	27,907	25,835
- Loans secured by equity linked bonds issued by Bank	-	-
Loans to business customers:	**147,720**	**133,572**
- Large corporates	53,462	61,894
- SMEs	92,158	68,716
- Farmers	2,100	2,962
Total	**176,006**	**159,899**

e) Information about collaterals of loans

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding types of collateral. Market values (or purchase price, depending which is lower) are used for real estate and movable assets serving as collateral. In subsequent periods, the fair value of collateral is updated when exposure becomes individually impaired or results of regular credit risk monitoring indicate possibility of significant changes in collateral value. The value of residential real estate is recalculated periodically by applying an index, the value of which depends on the asset type, geographical location and the period when the last evaluation took place.

The Bank takes into account guarantees issued by the State, other parties issuing guarantees which are equivalent to the State guarantees (e.g., guarantees of Investicijų ir verslo garantijos UAB, Žemės ūkio paskolų garantijų fondas UAB), municipalities, banks as well as credit insurance provided by the company owned by the Ministry of Finance Būsto paskolų draudimas UAB in disclosing information on guarantees serving as collateral. Guarantees and warranties issued by other parties (private individuals, legal entities), although they mitigate the risk, are considered to be immaterial and are not disclosed here.

If exposure is secured by several different types of collateral, priority in recognition of a collateral is based on its liquidity. Securities, cash and guarantees are treated as types of collateral with highest liquidity followed by residential real estate and then other real estate. Movable assets like transport vehicles, equipment and other assets are treated as having lowest liquidity.

The most commonly used type of collateral is the residential real estate comprising 47% of the secured part of the Group's loan portfolio (2013: 43%).

Loans and advances to financial institutions are generally unsecured.

31 December 2014

	Group and Bank loans to individuals (retail)	%	Group loans to business customers	%	Bank loans to business customers	%
Unsecured loans	**359,942**	**8%**	**2,426,909**	**44%**	**2,557,600**	**46%**
Loans collateralized by:	**4,078,593**	**92%**	**3,051,613**	**56%**	**3,051,613**	**54%**
- residential real estate	3,209,997	72%	142,781	3%	142,781	2%
- other real estate	271,529	6%	2,217,647	40%	2,217,647	39%
- securities	812	1%	36,136	1%	36,136	1%
- guarantees	596,255	13%	105,293	2%	105,293	2%
- other assets	-	0%	549,756	10%	549,756	10%
Total	**4,438,535**	**100%**	**5,478,522**	**100%**	**5,609,213**	**100%**

FINANCIAL RISK MANAGEMENT (continued)

31 December 2013

	Group and Bank loans to individuals (retail)	%	Group loans to business customers	%	Bank loans to business customers	%
Unsecured loans	**376,305**	**9%**	**1,978,974**	**38%**	**2,108,723**	**40%**
Loans collateralized by:	**3,923,998**	**91%**	**3,220,842**	**62%**	**3,220,841**	**60%**
- residential real estate	2,921,800	68%	181,032	4%	181,031	3%
- other real estate	351,329	8%	2,239,927	43%	2,239,927	42%
- securities	24,133	1%	28,946	1%	28,946	1%
- guarantees	626,509	14%	115,311	2%	115,311	2%
- other assets	227	0%	655,626	12%	655,626	12%
Total	**4,300,303**	**100%**	**5,199,816**	**100%**	**5,329,564**	**100%**

1.6. Finance lease receivables

Finance lease receivables are summarized as follows:

	2014			2013		
	Business customers	Individuals	Total	Business customers	Individuals	Total
Neither past due nor impaired	310,107	43,829	353,936	279,988	35,620	315,608
Past due but not impaired	24,096	4,635	28,731	21,700	3,432	25,132
Impaired	45,990	784	46,774	59,607	1,062	60,669
Gross	**380,193**	**49,248**	**429,441**	**361,295**	**40,114**	**401,409**
Less: allowance for impairment	(37,246)	(700)	(37,946)	(48,968)	(784)	(49,752)
Net	**342,947**	**48,548**	**391,495**	**312,327**	**39,330**	**351,657**

During the year ended 31 December 2014, finance lease receivables portfolio increased by 7.0%. Total impairment allowance for finance lease receivables is LTL 37,945 thousand (2013: LTL 49,752 thousand) and it accounts for 8.8% of the respective portfolio (2013: 12.4%).

1.7. Exposures rated by External Credit Assessment Institutions

Table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2014 based on Moody's ratings or their equivalent.

31 December 2014

Group

Rating	Trading securities		Securities available for sale		Securities designated at fair value through profit or loss		Total
	Bonds	T-Bills	Bonds	T-Bills	Bonds	T-Bills	
Aaa	-	-	-	-	-	-	**-**
From Aa3 to Aa1	-	-	-	-	-	-	**-**
From A3 to A1	53,847	3,138	-	-	115,016	399,591	**571,592**
From Baa1 to Ba3	24,508	909	-	-	134,804	65,197	**225,418**
From B1 to B3	2,743	-	-	-	-	-	**2,743**
NR	-	-	-	-	-	-	**-**
Total	**81,098**	**4,047**	**-**	**-**	**249,820**	**464,788**	**799,753**

FINANCIAL RISK MANAGEMENT (continued)

31 December 2014

Bank

Rating	Trading securities		Securities available for sale		Securities designated at fair value through profit or loss		Total
	Bonds	T-Bills	Bonds	T-Bills	Bonds	T-Bills	
Aaa	-	-	-	-	-	-	**-**
From Aa3 to Aa1	-	-	-	-	-	-	**-**
From A3 to A1	53,847	3,138	-	-	112,748	399,591	**569,324**
From Baa1 to Ba3	24,508	909	-	-	132,703	65,197	**223,317**
From B1 to B3	2,743	-	-	-	-	-	**2,743**
NR	-	-	-	-	-	-	**-**
Total	**81,098**	**4,047**	**-**	**-**	**245,451**	**464,788**	**795,384**

31 December 2013

Group

Rating	Trading securities		Securities available for sale		Securities designated at fair value through profit or loss		Total
	Bonds	T-Bills	Bonds	T-Bills	Bonds	T-Bills	
Aaa	-	-	-	-	-	-	**-**
From Aa3 to Aa1	-	-	-	-	-	-	**-**
From A3 to A1	18,981	-	-	-	111,179	488,597	**618,757**
From Baa1 to Ba3	31,091	-	-	-	221,768	-	**252,859**
From B1 to B3	1,786	-	-	-	-	-	**1,786**
NR	1,648	-	-	-	-	-	**1,648**
Total	**53,506**	**-**	**-**	**-**	**332,947**	**488,597**	**875,050**

31 December 2013

Bank

Rating	Trading securities		Securities available for sale		Securities designated at fair value through profit or loss		Total
	Bonds	T-Bills	Bonds	T-Bills	Bonds	T-Bills	
Aaa	-	-	-	-	-	-	**-**
From Aa3 to Aa1	-	-	-	-	-	-	**-**
From A3 to A1	18,981	-	-	-	108,270	488,597	**615,848**
From Baa1 to Ba3	31,091	-	-	-	218,690	-	**249,781**
From B1 to B3	1,786	-	-	-	-	-	**1,786**
NR	1,648	-	-	-	-	-	**1,648**
Total	**53,506**	**-**	**-**	**-**	**326,960**	**488,597**	**869,063**

FINANCIAL RISK MANAGEMENT (continued)

1.8. Repossessed assets

The Group obtained assets by taking possession of collateral held as security, as follows:

	Gross amount			
	Group		Bank	
Nature of assets at gross values	**2014**	**2013**	**2014**	**2013**
Repossessed assets (investment properties, Note 22)	279,311	227,793	-	-
Other repossessed assets	13,349	32,908	13,349	32,908
Repossessed assets (non-current assets held for sale, Note 25)	13,087	40,229	933	3,544
Retrieved assets under cancelled lease contracts	16,964	46,212	-	-
Total	**322,711**	**347,142**	**14,282**	**36,452**

Other repossessed assets and retrieved assets under cancelled lease contracts (mainly vehicles and equipment) are accounted at the lower of cost and net realisable value and are classified in the statement of financial position within other assets.

FINANCIAL RISK MANAGEMENT (continued)

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

Economic sectors

The following table breaks down the loans and finance lease receivables at their carrying amounts, as categorized by the economic sectors of our counterparties.

Group

	Financial intermediation	Agriculture, hunting, forestry, fishing	Manufacturing	Electricity, gas, water supply	Construction	Wholesale and retail trade	Transport, storage, communication	Real estate activities	Public sector	Other industries	Private individuals	Not attributed	**Total**
Neither past-due nor impaired	575	505,814	895,230	293,726	113,636	709,550	182,950	739,079	1,069,313	274,346	3,579,576	32	**8,363,827**
Past due but not impaired	231	74,135	73,898	3,701	27,040	38,133	25,055	66,371	8,348	48,183	576,097	-	**941,192**
Impaired	-	14,088	65,656	383	112,581	71,797	22,871	367,904	3	54,003	332,110	115	**1,041,511**
Value adjustments and provisions	(1)	(6,036)	(35,791)	(420)	(70,719)	(45,852)	(15,918)	(132,609)	(1,086)	(29,072)	(166,402)	(65)	**(503,971)**
Changes for value adjustments and provisions during the reporting period	-	(117)	9,241	(12)	8,303	6,854	6,408	17,062	(1,077)	27,520	67,611	4	**141,797**
Total at 31 December 2014	**805**	**588,001**	**998,993**	**297,390**	**182,538**	**773,628**	**214,958**	**1,040,745**	**1,076,578**	**347,460**	**4,321,381**	**82**	**9,842,559**
Total at 31 December 2013	**521**	**567,104**	**900,186**	**238,308**	**231,929**	**810,561**	**210,231**	**846,167**	**973,999**	**370,292**	**4,106,404**	**74**	**9,255,776**

Bank

	Financial intermediation	Agriculture, hunting, forestry, fishing	Manufacturing	Electricity, gas, water supply	Construction	Wholesale and retail trade	Transport, storage, communication	Real estate activities	Public sector	Other industries	Private individuals	Not attributed	**Total**
Neither past-due nor impaired	368,964	458,742	862,372	290,096	100,539	652,841	75,106	866,647	1,054,444	243,983	3,535,747	32	**8,509,514**
Past due but not impaired	-	70,047	70,503	3,112	25,962	34,236	17,156	65,971	7,986	46,025	571,463	-	**912,461**
Impaired	-	13,339	62,172	208	107,461	65,620	6,681	363,643	-	44,172	331,326	114	**994,736**
Value adjustments and provisions	-	(5,377)	(32,172)	(355)	(65,090)	(39,859)	(4,859)	(131,201)	(1,063)	(20,281)	(165,702)	(65)	**(466,024)**
Changes for value adjustments and provisions during the reporting period	-	(79)	7,989	(55)	4,901	6,552	2,221	15,953	(1,063)	26,042	67,527	4	**129,992**
Total at 31 December 2014	**368,964**	**536,751**	**962,875**	**293,061**	**168,872**	**712,838**	**94,084**	**1,165,060**	**1,061,367**	**313,899**	**4,272,834**	**81**	**9,950,687**
Total at 31 December 2013	**340,086**	**524,707**	**867,401**	**232,894**	**219,548**	**764,841**	**84,445**	**969,457**	**956,964**	**346,446**	**4,067,074**	**74**	**9,373,937**

FINANCIAL RISK MANAGEMENT (continued)

2. Market risk

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

Interest rate risk is assessed by calculation of the Group's positions' sensitivity to interest rate change by 1 basis point, whereas the exchange rate risk is evaluated by calculation of open foreign exchange positions. The aforementioned calculations are performed daily and submitted to the Bank's Management Board, the members of Risk management committee and Markets department. The interest rate and foreign exchange risks are restricted by the limits determined by the shareholder and monitored daily by Markets&Treasury Support and Control department.

Regular reports on market risk exposures are submitted to the Bank's management board.

2.1 Market risk measurement techniques

There are several types of market risk calculated in the Group.

Interest rate risk is assessed as an impact of parallel shift of a yield curve on a present value of the gap between total liabilities and total assets. The risk is measured as 1 basis point value (bpv). 1 bpv discloses the amount which would impact Group's net result in case of the yield curve shift. Essential interest rate risk is in EUR and LTL currencies, therefore the following risk mitigation techniques are used. As assets in these currencies have longer maturity than liabilities, open interest rate position would create appropriate risk. Long term funding is attracted to decrease the discrepancy between long and short terms. Interest rate swaps are used to achieve and maintain an acceptable level of interest rate risk.

Foreign exchange (hereinafter referred to as FX) risk is assessed as an open position between assets and liabilities in a respective currency. This open position is restricted by the limits set by the DNB Markets Norway and monitored on a daily basis. FX positions are very low except of EUR/LTL position being more significant. As EURO have been introduced and positions in EUR and LTL are combined, market risk management became more simplified.

2.2. Foreign exchange risk

Note 37 reveals that the Group has exposure to EUR, exposures to other currencies are not significant. The Group follows a very conservative approach to foreign exchange risk and limits EUR position with the limit set by the DNB Markets Norway, regardless that this is a base currency for the Group.

Sensitivity of foreign exchange risk

Foreign exchange risk is limited by amounts of open FX positions. For calculation of sensitivity to FX risk all exposures shall be converted into possible loss – i.e. open FX position is multiplied by possible FX rate change. FX risk parameters for the Group and the Bank, which are set by the Bank, are provided in the table below:

Currency	Reasonable shift
PLN	5.8 %
DKK	0.2 %
USD	5.2 %
NOK	4.0 %
Other currencies	5.8 %

The presumable FX rate change creates acceptable impact on Bank's and Group's annual profit as well as equity and makes LTL 19 thousand in 2014 (2013: LTL 184 thousand) impact on profit.

The Bank's exposure to foreign currency exchange rate risk is summarised in Note 37.

2.3. Interest rate risk

The Group has exposure to interest rate risk in LTL and EUR, interest rate risk in other currencies is not significant. Interest rate risk in LTL rising from the loan portfolio and debt securities at a smaller extent on asset side which is mainly counterbalanced with clients' deposits on the liability side. In case of EUR it is mainly funding from parent bank covering the exposure from assets. Interest rate risk from single currency position is calculated and monitored on a daily basis, using the basis point value (bpv) analysis. As the Group follows a very conservative approach in interest rate risk, separate currency position risk is restricted by the limits to 1 bpv set by the DNB Markets Norway.

1 bpv is calculated on a basis of interest rate gap report, which is the analysis of difference between assets and liabilities distributed by appropriate time buckets according to each currency.

FINANCIAL RISK MANAGEMENT (continued)

The bpv reflect the impact of the parallel shift of the yield curve to the net profit before taxes.

The Bank's and Group's exposure to interest rate risk as of 31 December 2014 (basis point value):

Risk	Bank	DNB lizingas	DNB investiciju valdymas	Elimination effect	Consolidated
LTL	3.3	(2.8)	(0.4)	0.8	0.9
EUR	(15.3)	9.6	(0.2)	-	(5.9)
USD	(0.1)	(0.2)	-	-	(0.3)
PLN	0.0	-	-	-	0.0
NOK	0.1	-	-	-	0.1
Others	0.2	-	-	-	0.2

The Bank's and Group's exposure to interest rate risk as of 31 December 2013 (basis point value):

Risk	Bank	DNB lizingas	DNB investiciju valdymas	Elimination effect	Consolidated
LTL	(45.8)	(1.9)	(0.8)	(0.5)	(49.0)
EUR	(17.8)	4.0	(0.2)	(0.3)	(14.3)
USD	0.6	-	-	-	0.6
LVL	(0.8)	-	-	-	(0.8)
PLN	0.1	-	-	-	0.1
NOK	0.4	-	-	-	0.4
Others	0.7	-	-	-	0.7

The Bank's interest rate gap analysis is summarized in Note 38.

Sensitivity of interest rate risk

Interest rate risk exposure cannot exceed limits, therefore limit is the highest possible 1 bpv. Assuming a reasonable parallel shift of yield curve (interest rate risk parameters presented in table below), sensitivity of interest rate risk shall be calculated multiplying bpv limit usage by interest rate change. Reasonable interest rate shift by currencies (in basis points) are provided in the table below:

Reasonable shift in bp	LTL	EUR	USD
2014	68	68	82
2013	68	68	82

The shift of yield curve according to the above mentioned parameters creates acceptable impact on the Group's and the Bank's equity and P&L (see table below):

Impact on P&L and Equity:

Year	Equity		P&L	
	Group	Bank	Group	Bank
2014	507	1,303	5,915	5,904
2013	4,521	4,551	9,688	9,646

2.4 Equity risk

The Group has immaterial exposure to equity risk.
The shares of SWIFT, VISA and MasterCard are not held as an investment into securities due to the fact that the volume is symbolic and this is rather treated as recognition of participation in these settlement systems than any kind of investment into shares.
The equity exposure also consists of small amount of investment fund's units held by DNB Investment Management. These investment fund units is held solely for company's client deals and the Group is not seeking the profit from this position, therefore the risk rising from units of investment funds is not assessed.

FINANCIAL RISK MANAGEMENT (continued)

3. Liquidity risk

Liquidity risk means the risk that the Bank is unable to meet its financial obligations in time or the risk to incur losses due to the sudden decrease in financial resources (eg. the financial crisis situations may result in the run on the bank and delay of incoming payments) as well as due to increase in price of the new resources designed for refinancing. The consequence of liquidity risk occurrence may be the failure to meet obligations to repay depositors and fulfil loan commitments. Liquidity is maintained on an DNB Group level and restricted by liquidity ratio, set by the Bank of Lithuania, LCR (Liquidity Coverage Ratio) which came into force from beginning of 2015 and the limits set by the DNB Markets Norway.

Management of the Bank is constantly monitoring the liquidity situation on the financial markets. The Bank is ready in case liquidity situation becomes worse and business and funding contingency plans are in place and up to date.

3.1 Liquidity risk management process

Liquidity risk management is divided into the long-term (1 year) risk management, short-term (up to 1 month) risk management and intraday liquidity management. The aim of short-term liquidity is to meet the daily need for funds, to ensure the compliance with the reserve and liquidity requirements set by the Bank of Lithuania as well as the compliance with the internal liquidity limits. Short-term liquidity is maintained through daily monitoring of the liquidity status, day-to day funding and trading the appropriate financial instruments for liquidity purposes. Long-term liquidity risk is managed by analysing the predicted future cash flows taking into account the deposit and loan portfolio growth as well as the possible refinancing sources.

For the purpose of the liquidity risk assessment the liquidity gap, taking into account the maturity and the funding ratio, are analysed. The liquidity risk is restricted by imposing the internal limits on liquidity gap and funding ratio. Utilization of these limits are subject to daily monitoring and regular reporting to the management bodies of the Group.

Liquidity gap is calculated by analysing the Group's net refinancing situation within one week and one month applying a "business as usual" approach. Liquid assets and short term liabilities are included for liquidity gap calculation for respective terms (1 week and 1 month).

	31 December 2014		31 December 2013	
	1 week	1 month	1 week	1 month
Liquidity gap (Group)	1,813.1	1,625.0	988.8	654.9
Limits	(1,381.1)	(1,381.1)	(1,381.1)	(1,381.1)

Funding ratio shows how stable is the Group's situation in terms of funding. The limit of funding ratio is 1.21, which means that not less than 85% of all loans to customers should be funded with the long term liabilities and equity. The ratio shows the proportion by which loans to customers are covered by the long term funding.

	31 December 2014	31 December 2013
Funding ratio (Group)	1.21	1.19

Note 36 analyzes assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at statement of financial position date till the contractual maturity date as well as the liquidity ratio requirement set by the Bank of Lithuania.

3.2. Funding approach

The bank has a possibility of attracting funding at minimum cost. The parent Bank DNB (counterparty credit rating being A1/Negative/P-1 (Moody's) provided in December 2014) is the lender of last resort and provides the financing for the Bank in the cases of faltered liquidity. Shareholder and the Bank have signed multicurrency facility agreement where shareholder makes a commitment to provide funding to the Bank. In addition, the Bank has alternative high quality funding sources at attractive costs. The Bank is taking part in ECB Eurosystem open market operations. In particular the Bank is getting ready to become a user of ECB Targeted Long Term Refinancing Operations. Bank is also taking part in ECB programme for funding of SME loans.

3.3. Non – derivative cash flows

Undiscounted cash flows below describe liability side outflows which are represented by nominal contract amounts together with accrued interest till the end of the contract.

Group

31 December 2014 **Liabilities**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Due to banks	28,491	15,521	3,909	4,147,273	0	4,195,194
Due to customers	6,010,560	375,106	815,012,	47,617	5,189	7,253,484
Debt securities in issue	0	0	210	0	0	210
Other financial liabilities	18,214	2,204	12,738	1,986	6,223	41,365
Total liabilities (contractual maturity dates)	6,057,265	392,831	831,869	4,196,876	11,412	**11,490,253**

FINANCIAL RISK MANAGEMENT (continued)

Bank

31 December 2014 **Liabilities**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Due to banks and other credit institutions	28,491	15,521	3,909	4,147,273	-	4,195,194
Due to customers	6,022,117	375,106	815,012	47,617	5,189	7,265,040
Debt securities in issue	-	-	210	-	-	210
Other financial liabilities	50,410	2,204	12,770	5,046	6,223	76,653
Total liabilities (contractual maturity dates)	6,101,017	392,831	831,901	4,199,936	11,412	**11,537,098**

Group

31 December 2013 **Liabilities**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Due to banks and other credit institutions	64,030	4,137	22,615	4,220,083	-	4,310,865
Due to customers	4,872,055	507,519	862,753	54,527	12,173	6,309,027
Debt securities in issue	-	567	12,203	1,645	-	14,415
Other financial liabilities	20,650	2,661	12,541	1,901	-	37,753
Total liabilities (contractual maturity dates)	4,956,735	514,884	910,112	4,278,156	12,173	**10,672,060**

Bank

31 December 2013 **Liabilities**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Due to banks and other credit institutions	64,030	4,137	22,615	4,220,083	-	4,310,865
Due to customers	4,875,870	507,519	862,753	54,527	12,173	6,312,842
Debt securities in issue	-	567	12,203	1,645	-	14,415
Other financial liabilities	52,980	2,661	12,802	13,918	-	82,361
Total liabilities (contractual maturity dates)	4,992,880	514,884	910,373	4,290,173	12,173	**10,720,483**

3.4. Derivative cash flows

Tables below analyse cash flows from derivative instruments. Commonly the Group has exposure to foreign exchange derivatives i.e. forwards, swaps; interest rate derivatives i.e. swaps and options on interest rates, and equity derivatives i.e. options on equity indexes.

a) *Derivatives settled on a net basis*

31 December 2014	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Derivatives held for trading						
- Interest rate derivatives	1,092	2,460	3,804	16,455	2,050	25,861
- Equity derivatives	-	-	-	-	-	-
- Commodity derivatives	102	-	-	-	-	102
Total	1,194	2,460	3,804	16,455	2,050	25,963

FINANCIAL RISK MANAGEMENT (continued)

31 December 2013	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivatives held for trading						
- Interest rate derivatives	212	2,404	5,035	17,994	2,743	28,388
- Equity derivatives	1,408	-	-	-	-	1,408
- Commodity derivatives	2,586	-	-	-	-	2,586
Total	4,206	2,404	5,035	17,994	2,743	32,382

b) Derivatives settled on a gross basis

31 December 2014

Derivatives held for trading	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Foreign exchange derivatives					
Outflow	267,005	93,898	212,713	152,149	**725,765**
Inflow	266,109	95,690	211,471	152,328	**725,598**
Total outflow	267,005	93,898	212,713	152,149	**725,765**
Total inflow	266,109	95,690	211,471	152,328	**725,598**

31 December 2013

Derivatives held for trading	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Foreign exchange derivatives					
Outflow	1,288,995	1,003,581	28,228	375,290	**2,696,094**
Inflow	1,287,343	1,000,550	27,356	371,968	**2,687,217**
Total outflow	1,288,995	1,003,581	28,228	375,290	**2,696,094**
Total inflow	1,287,343	1,000,550	27,356	371,968	**2,687,217**

3.5. Off - balance sheet items

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

Group

	Up to one year	From 1 to 5 years	Over 5 years	Total
At 31 December 2014				
Guarantees	295,573	102,418	4,187	402,178
Letters of credit	18,135	-	-	18,135
Loan commitments	820,510	520,697	23,939	1,365,146
Finance lease commitments	12,164	3,191	-	15,355
Operating lease commitments	4,147	3,191	-	7,338
Other commitments	2,398	3,477	6,125	12,000
Total	**1,152,927**	**632,974**	**34,251**	**1,820,152**
At 31 December 2013				
Guarantees	281,974	132,171	3,380	417,525
Letters of credit	4,013	359	-	4,372
Loan commitments	789,213	388,654	21,030	1,198,897
Finance lease commitments	3,874	-	-	3,874
Operating lease commitments	3,140	-	-	3,140
Other commitments	2,665	5,003	5,776	13,444
Total	**1,084,879**	**526,187**	**30,186**	**1,641,252**

FINANCIAL RISK MANAGEMENT (continued)

Bank

	Up to one year	From 1 to 5 years	Over 5 years	Total
At 31 December 2014				
Guarantees	328,262	288,945	4,187	621,394
Letters of credit	18,135	-	-	18,135
Loan commitments	820,510	858,041	23,939	1,702,490
Operating lease commitments	340	-	-	340
Other commitments	2,398	3,477	6,125	12,000
Total	**1,169,645**	**1,150,463**	**34,251**	**2,354,359**
At 31 December 2013				
Guarantees	329,974	316,351	3,380	649,705
Letters of credit	4,013	359	-	4,372
Loan commitments	1,140,168	388,654	21,030	1,549,852
Operating lease commitments	2,586	-	-	2,586
Other commitments	2,665	5,003	5,776	13,444
Total	**1,479,406**	**710,367**	**30,186**	**2,219,959**

4. Fair value of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of financial assets and liabilities not presented on the Bank statement of financial position at their fair value. Fair values disclosed in the table below are categorised as level 3. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at the current market interest rates (VILIBOR or LIBOR) plus or minus current margin for similar products to determine the fair value.

As at 31 December 2014	**Group**		**Bank**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Assets				
Loans and advances to customers of which:	9,451,064	9,428,807	9,950,687	9,927,254
-Loans to individuals	4,272,833	4,262,771	4,272,833	4,262,771
-Loans to business customers	5,178,200	5,166,005	5,308,890	5,296,388
-Loans and advances to financial institutions	31	31	368,964	368,095
Finance lease receivables of which:	391,495	390,573	-	-
-Individuals	48,548	48,434	-	-
-Business customers	342,947	342,139	-	-
Liabilities				
Due to banks	4,180,483	4,184,393	4,180,483	4,184,393
Due to customers	7,251,556	7,251,845	7,263,113	7,263,401
Debt securities in issue	207	210	207	210

As at 31 December 2013	**Group**		**Bank**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Assets				
Loans and advances to customers of which:	8,942,027	8,345,414	9,411,845	8,783,562
-Loans to individuals	4,067,073	3,795,119	4,067,073	3,795,119
-Loans to business customers	4,837,030	4,514,652	4,966,778	4,635,724
-Loans and advances to financial institutions	16	15	340,086	317,089
Finance lease receivables of which:	351,657	328,143	-	-
-Individuals	39,330	36,700	-	-
-Business customers	312,327	291,443	-	-
Liabilities				
Due to banks	4,206,102	4,276,811	4,206,102	4,276,811
Due to customers	6,247,379	6,254,198	6,251,193	6,258,013
Debt securities in issue	13,464	13,722	13,464	13,722

FINANCIAL RISK MANAGEMENT (continued)

Next tables below summarize the fair value measurement hierarchy of the Bank assets and liabilities accounted for at fair value. Financial instruments are distributed by 3 levels of fair value:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of all Bank contracted derivatives is defined as level 2. These are mainly interest rate swaps and FX derivatives which are valued using discounted cashflow or present value calculation method and revaluation of options is based on Black and Scholes model. In all cases pricing is based on market observable inputs. Debt securities are priced in accordance to market quotes, therefore defined as level 1.

There were no movements of financial instruments between the levels during 2014.

Valuation of all financial assets and liabilities measured at fair value was performed as at December 31, 2014.

Group

As at 31 December 2014	Level 1	Level 2	Level 3	Total
Derivative financial assets (Note 15):				
FX forwards, swaps, put, call options	-	12,790	-	12,790
Interest rate swaps, collars	-	12,556	-	12,556
Equity linked options	-	0	-	0
Commodity forwards	-	102	-	102
	-	**25,448**	**-**	**25,448**
Financial assets held-for-trading (Note 13):				
Government debt securities	85,145	-	-	85,145
	85,145	**-**	**-**	**85,145**
Financial assets designated at fair value through profit or loss (Note 14):				
Government debt securities	714,608	-	-	714,608
Equity securities	126	-	1,027	1,153
	714,734	**-**	**1,027**	**715,761**
	799,879	**25,448**	**1,027**	**826,354**
Liabilities measured at fair value				
Derivative financial liabilities (Note 15):				
FX forwards, swaps, put, call options	-	13,680	-	13,680
Interest rate swaps, collars	-	8,876	-	8,876
Commodity forwards	-	102	-	102
	-	**22,658**	**-**	**22,658**

FINANCIAL RISK MANAGEMENT (continued)

Bank

As at 31 December 2014	Level 1	Level 2	Level 3	Total
Derivative financial assets (Note 15):				
FX forwards, swaps, put, call options	-	12,790	-	12,790
Interest rate swaps, collars	-	12,556	-	12,556
Equity linked options	-	-	-	-
Commodity forwards	-	102	-	102
	-	**25,448**	**-**	**25,448**
Financial assets held-for-trading (Note 13):				
Government debt securities	85,145	-	-	85,145
	85,145	**-**	**-**	**85,145**
Financial assets designated at fair value through profit or loss (Note 14):				
Government debt securities	710,239	-	-	710,239
Equity securities	-	-	1,027	1,027
	710,239	**-**	**1,027**	**711,266**
	795,384	**25,448**	**1,027**	**821,859**
Liabilities measured at fair value:				
Derivative financial liabilities (Note 15):				
FX forwards, swaps, put, call options	-	13,680	-	13,680
Interest rate swaps, collars	-	8,876	-	8,876
Commodity forwards	-	102	-	102
	-	**22,658**	**-**	**22,658**

Group

As at 31 December 2013	Level 1	Level 2	Level 3	Total
Derivative financial assets (Note 15):				
FX forwards, swaps, put, call options	-	2,246	-	2,246
Interest rate swaps, collars	-	5,200	-	5,200
Equity linked options	-	2,384	-	2,384
Commodity forwards	-	2,696	-	2,696
	-	**12,526**	**-**	**12,526**
Financial assets held-for-trading (Note 13):				
Government debt securities	53,506	-	-	53,506
	53,506	**-**	**-**	**53,506**
Financial assets designated at fair value through profit or loss (Note 14):				
Government debt securities	821,544	-	-	821,544
Equity securities	516	-	920	1,436
	822,060	**-**	**920**	**822,980**
	875,566	**12,526**	**920**	**889,012**

FINANCIAL RISK MANAGEMENT (continued)

Liabilities measured at fair value				
Derivative financial liabilities (Note 15):				
FX forwards, swaps, put, call options	-	11,884	-	11,884
Interest rate swaps, collars	-	6,754	-	6,754
Commodity forwards	-	2,586	-	2,586
	-	**21,224**	**-**	**21,224**

Bank

As at 31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets				
FX forwards, swaps, put, call options	-	2,246	-	2,246
Interest rate swaps, collars	-	5,200	-	5,200
Equity linked options	-	2,384	-	2,384
Commodity forwards	-	2,696	-	2,696
Credit related agreements	-	-	-	-
	-	**12,526**	**-**	**12,526**
Financial assets held-for-trading				
Government debt securities	53,506	-	-	53,506
Debt securities issued by banks	-	-	-	-
	53,506	**-**	**-**	**53,506**
Financial assets designated at fair value through profit or loss				
Government debt securities	815,557	-	-	815,557
Other debt securities		-	920	920
	815,557	**-**	**-**	**815,557**
	869,063	**12,526**	**920**	**882,509**
Financial liabilities				
FX forwards, swaps, put, call options	-	11,884	-	11,884
Interest rate swaps, collars	-	6,754	-	6,754
Commodity forwards	-	2,586	-	2,586
Credit related agreements	-	-	-	-
	-	**21,224**	**-**	**21,224**

5. Operational Risk

The Bank defines the operational risk as a risk to suffer direct or indirect losses due to improper or inefficient internal procedures or processes, technologies, employee actions or external factors. Operational risk includes compliance and legal risks.

The operational risk management in the Group is regulated by the Operational risk management policy setting minimum requirements for operational risk management and control, defining the methods for operational risk management, controlling process, and responsibility levels. Operational risk should be low, and risk management should ensure that the risk of unwanted losses is reduced.

The operational risk management is decentralised in the Group, i.e. the managers of structural units are responsible for the operational risk management in their units.

The Group manages the operational risk by minimising it, i.e. insurance (the Group is worldwide covered under Comprehensive Crime and Professional Indemnity Insurance policy) and implementation of internal control measures, accepting it (in this case specific provisions are made for the operational risk upon evaluation of the anticipated losses due to the operational risk events), outsourcing and avoiding. The operational risk losses are quarterly reported to the Group's management bodies and Risk Management Committee.

FINANCIAL RISK MANAGEMENT (continued)

The Bank has implemented three methods of operational risk management – declaration of operational risk events and losses, i.e. by registering all operational risk events and losses into centralized system, self-assessment and risk assessment – one of risk inventory methods to evaluate operational risk potential, and key risk indicators system for the early recognition of operational risk tendency.

The Bank dedicates much attention on ensuring business continuity; the disaster recovery and business continuity plans as well as the procedures of restoring of IT services are prepared and tested on a regular basis. Moreover, in order to ensure an uninterrupted functioning of the IT systems and data security, all critical IT components are duplicated.

In 2014 the Group continued to develop the operational risk management and control systems and to sustain internal operation's control function, focusing on follow-up systemic control to the most critical daily banking activities and AML. Effective operational risk management in the Group is based on each employee's risk perception and understanding. In this case the Group consistently sustained employees operational risk knowledge by organising trainings and meetings. As in previous years, in September and October 2014 the Bank, using DNB Group methodology, performed a comprehensive risk assessment, encompassing all of the main Bank's activities and the most significant potential risks and made measure plans. In addition to this, a separate operational risk assessment was made in IT and Operations area in June, with risk minimization plans made for high and medium risks. Moreover, in 2014 a big attention was paid to Pan-Baltic initiatives in coordination of operational risk management and control function.

In 2014 the Bank was intensely stabilizing unified IT platform and on the same time preparing to EURO conversion, which was successfully done after the year end.

In 2015 the Bank will continuously develop operational risk management system by improving existing internal controls, monitoring and spreading risk management culture within the DNB Group. The Bank will give special attention to minimize the operational risk in activities, related to legal and compliance issues.

6. Stress tests

Besides the regular assessment of the risks and the capital requirement calculation the Group also performs stress tests for the credit, liquidity, market (interest rate and currency), business and operational risks and moreover the stress testing of the financial plan. The purpose of the stress-testing is to evaluate whether the Group's capital is sufficient to cover those extraordinary losses that might occur in the case when the testing scenario is realised as well as to prepare the contingency plan for the Group. In order to evaluate the losses caused by the aforesaid risks the realisations of the standard, possible and worst case scenarios are assumed. Liquidity risk is tested using the following scenarios: specific scenario, market scenario and combined scenario.

The results of the stress tests are submitted to the Group's management bodies at least once a year.

7. Capital management

The capital of DNB Group is calculated and allocated for the risk coverage following the General Regulations for the Calculation of Capital Adequacy approved by the Bank of Lithuania Board. The Group's objectives when managing capital are:

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

Capital adequacy report is submitted to the supervising authority quarterly in accordance with the Bank of Lithuania requirements.

The Group's regulatory capital is divided into two tiers:
1) Tier 1 capital consists of the ordinary shares, share premium, mandatory reserve, retained earnings of the previous financial year, audited profit of current financial year that was approved by shareholders meeting, negative revaluation reserve of financial assets and less the intangible assets,
2) Tier 2 capital consists of subordinated loans, other reserves.

The risk-weighted assets are measured by means of risk weights classified according to the nature of each assets and counterparty, taking into account collaterals and guarantees eligible for risk mitigation. A similar treatment with some adjustments is adopted for the off-balance sheet exposures.

FINANCIAL RISK MANAGEMENT (continued)

The table below summarizes the composition of regulatory capital and the ratios of the Bank and the Group for the years ended 31 December. According to the Bank of Lithuania requirements, 8% capital adequacy ratio is applicable. During 2014 and 2013, the Group complied with the capital requirements to which it is subject.

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Tier 1 capital	1,413,659	1,374,463	1,440,286	1,320,901
Tier 2 capital	665	706	665	-
Total own funds	**1,414,324**	**1,375,169**	**1,440,951**	**1,320,901**
Total risk exposure amount	**8,466,592**	**8,251,800**	**8,957,291**	**8,570,650**
Tier1 capital ratio, %	16.70	16.66	16.08	15.41
Capital ratio, %	**16.70**	**16.67**	**16.09**	**15.41**

Capital requirements

The standardized approach is used for the regulatory capital requirements calculation for the credit, market and operational risks both at the Bank and the Group level. For credit risk capital requirement calculation the Bank uses the rating agencies' Fitch Ratings or Moody's ratings for counterparty risk assessment.

Breakdown of the exposures and eligible collaterals by exposure classes, which are used for calculation of capital requirement for credit risk:

	Group			Bank		
	Exposure net of value adjustments and provisions	**Total exposure value covered by**		**Exposure net of value adjustments and provisions**	**Total exposure value covered by**	
		eligible collaterals	**guarantees**		**eligible collaterals**	**guarantees**
Central governments or central banks	1,080,003	-	-	1,080,003	-	-
Regional governments or local authorities	820,838	-	-	820,179	-	-
Public sector entities	380,822	6,220	331	369,771	6,220	331
Institutions	541,579	49,178	-	541,579	49,178	-
Corporates	4,126,715	70,125	39,839	5,074,383	70,275	39,839
Retail	2,148,146	19,471	79,748	1,865,919	19,516	79,748
Secured by mortgage or immovable property	3,297,246	3,297,246	-	3,297,005	3,297,005	-
Exposures in default	845,201	167	11,607	832,482	167	11,607
Equity exposures	2,203	-	-	244,269	-	-
Other items	764,687	-	-	425,582	-	-
Total	**14,007,440**	**3,442,407**	**131,525**	**14,551,172**	**3,442,361**	**131,525**

The Group assesses the material risks it is exposed to and calculates the internal capital for the risks not covered or not fully covered by the Pillar I capital as part of the Internal Capital Adequacy Assessment Process (ICAAP).

The principles of ICAAP are uniform in the whole international DNB Group and implemented in the individual banks taking into account their specifics.

The concentration risk is assessed for asset classes exposed to credit risk, the risk level of different concentrations as well as the need of additional capital calculation is evaluated. Besides the imposed limits on lending the Group calculates the internal capital requirement for concentration risk according to the estimated risk level.

The Bank calculates capital requirement due to occurrence of the residual risk.

In addition, the Group estimates additional capital buffer for credit risk under Pillar II. This capital buffer is dedicated to absorb additional credit risk not covered by regulatory capital or by allocated internal capital under Pillar II for concentration risk and residual risk.

FINANCIAL RISK MANAGEMENT (continued)

As the regulatory capital requirement is calculated for the interest rate risk arising from the trading book, the Group additionally assesses and calculates the internal capital requirement for the interest rate risk arising from the banking book. The approach and the parameters used for this calculation are the same as the ones for evaluating the stress testing worst case scenario losses.

Additional internal capital requirement for operational risk is calculated based on the results of risk assessment and self-assessment and expert judgement.

The Group may set aside additional capital for such risks as business risk or reputational risk.

The Group calculates the total internal capital requirement as Pillar I capital according to regulatory requirements adjusted by the amounts evaluated for the risks identified during self-assessment and ICAAP.

OTHER NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NET INTEREST INCOME

	Group		Bank	
	2014	2013	2014	2013
Interest income:				
on due from banks	2,150	2,454	2,150	2,454
on loans and advances to customers	268,333	263,254	275,255	269,380
on finance lease receivables	13,838	12,954	-	-
Total	**284,321**	**278,662**	**277,405**	**271,834**
on financial assets held for trading	1,535	1,252	1,535	1,252
on financial assets designated at fair value through profit or loss	5,632	7,629	5,460	7,448
Total interest income	**291,488**	**287,543**	**284,400**	**280,534**
Interest expense				
on due to banks	26,029	28,954	26,029	28,954
on deposits and other repayable funds from customers	8,108	16,164	8,108	16,164
on debt securities issued	284	1,935	284	1,935
fees for compulsory insurance of deposits	30,111	27,377	30,108	27,374
Total interest expense	**64,532**	**74,430**	**64,529**	**74,427**
Net interest income	**226,956**	**213,113**	**219,871**	**206,107**

NOTE 2 NET FEE AND COMMISSION INCOME

	Group		Bank	
	2014	2013	2014	2013
Fee and commission income:				
on assets under management	663	837	663	837
money transfer operations	54,485	50,771	54,509	50,801
payment cards services	29,066	27,700	29,066	27,700
securities operations	2,802	3,613	2,802	3,618
currency (EUR) exchange	11,812	10,071	11,812	10,071
trust and other fiduciary activities	8,170	6,803	773	731
guarantee commissions	5,235	5,103	7,659	7,287
commissions for intermediation	2,345	3,163	6,744	6,738
other	13,435	11,983	12,636	12,577
Total fee and commission income	**128,013**	**120,044**	**126,664**	**120,360**
Fee and commission expense:				
money transfer operations	2,005	1,964	2,029	1,968
payment cards services	19,404	17,915	19,404	17,915
securities operations	1,278	1,145	1,278	1,145
currency (EUR) exchange	4,961	2,683	4,961	2,683
trust and other fiduciary activities	626	692	626	692
other	1,814	988	988	450
Total fee and commission expense	**30,088**	**25,387**	**29,286**	**24,853**
Net fee and commission income	**97,925**	**94,657**	**97,378**	**95,507**

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NOTE 3 NET GAIN (LOSS) ON OPERATIONS WITH SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Trading securities				
Debt securities:				
Realized gain (loss)	7,503	5,896	7,503	5,896
Unrealized gain (loss)	55	(2,175)	55	(2,175)
Net gain (loss) from trading securities	**7,558**	**3,721**	**7,558**	**3,721**
Derivative financial instruments				
Realized gain (loss)	6,323	(11,061)	6,323	(11,061)
Unrealized gain (loss)	9,660	(2,999)	9,660	(2,999)
Net gain (loss) from derivative financial instruments	**15,983**	**(14,060)**	**15,983**	**(14,060)**
Securities designated at fair value through profit or loss				
Realized gain (loss)	654	499	627	504
Unrealized gain (loss)	2,805	(1,932)	2,805	(1,922)
Net gain (loss) on securities designated at fair value through profit or loss	**3,459**	**(1,433)**	**3,432**	**(1,418)**
Realized gain (loss) from operations with debt securities issued	18	(442)	18	(442)
Net gain (loss) from sale of equity securities	-	(3)	-	(3)
Received dividends	58	11	58	2,798
Total	**27,076**	**(12,206)**	**27,049**	**(9,404)**

NOTE 4 IMPAIRMENT LOSSES AND PROVISIONS

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Impairment losses on loans:				
Increase of impairment losses, net	34,506	4,364	34,506	4,364
Recovered previously written off loans	(8,087)	(4,990)	(8,087)	(4,990)
Total impairment losses on loans	26,419	(626)	26,419	(626)
Impairment losses (reversals) on finance lease receivables (Note 18)	(7,675)	(10,351)	-	-
Impairment losses for other assets	3,214	9,969	3,214	-
Changes in fair value of investment property	599	2,320	-	-
Impairment losses for investments in subsidiares	-	-	29,000	-
Expenses for provisions on guarantees	(2,885)	(237)	(12,072)	(8,268)
Other provisions	136	1,045	450	1,045
Total	**19,808**	**2,120**	**47,011**	**(7,849)**

NOTE 5 OTHER INCOME

	Group		Bank	
	2014	2013	2014	2013
Net gain (loss) on sale of property and other security	9,668	5,736	1,264	2,160
On rent of property	3,619	569	604	623
On services related to IT development	-	7,923	-	7,923
On operating lease	-	16	-	-
VAT receivable	1,417	2,184	1,417	2,184
Other	7,156	10,912	4,108	7,541
Total	**21,860**	**27,340**	**7,393**	**20,431**

NOTE 6 PERSONNEL EXPENSES

	Group		Bank	
	2014	2013	2014	2013
Salaries	65,650	73,911	63,122	71,125
Social insurance	22,273	25,554	21,471	24,693
Training and business trip expenses	2,841	2,424	2,757	2,351
Other	11,963	13,929	11,963	13,929
Total	**102,727**	**115,818**	**99,313**	**112,098**

NOTE 7 DEPRECIATION AND AMORTISATION

	Group		Bank	
	2014	2013	2014	2013
Amortisation of intangible assets	2,759	1,866	2,583	1,850
Depreciation of property, plant and equipment assets	9,834	9,931	9,813	9,885
Total	**12,593**	**11,797**	**12,396**	**11,735**

NOTE 8 OTHER ADMINISTRATIVE EXPENSES

	Group		Bank	
	2014	2013	2014	2013
Rent of premises and maintenance expenses	12,536	14,567	12,314	14,339
Transportation, post and communications expenses	9,687	10,201	9,072	9,676
Advertising and marketing expenses	5,187	4,715	4,884	4,433
Office equipment and maintenance expenses	90,447	88,803	89,982	88,628
Cash collection, consultancy and other services expenses	11,189	13,002	10,758	12,603
Taxes other than income tax	29,400	30,298	27,410	28,590
Foreclosed assets expenses	1,898	3,321	1,784	3,228
Other expenses	22,064	19,439	15,363	15,329
Total	**182,408**	**184,346**	**171,567**	**176,826**

NOTE 9 INCOME TAX

	Group		Bank	
	2014	2013	2014	2013
Current tax for the year	445	455	-	2
Change of deferred tax asset (see below)	7,700	3,951	7,700	4,000
Total	**8,145**	**4,406**	**7,700**	**4,002**

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

	Group		Bank	
	2014	2013	2014	2013
Profit (loss) before income tax	64,668	49,993	29,435	61,117
Tax calculated at a tax rate of 15%	9,700	7,499	4,415	9,168
Income not subject to tax	(4,177)	(4,391)	(2,196)	(3,941)
Expenses not deductible for tax purposes	9,501	4,515	8,054	3,560
Change in unrecognised deferred tax asset	(6,879)	(3,217)	(2,573)	(4,785)
Income tax charge	8,145	4,406	7,700	4,002

Movement in deferred tax asset

	Group 2014	Group 2013	Bank 2014	Bank 2013
At the beginning of the year	25,804	29,755	25,804	29,804
Income statement credit (charge)	(7,700)	(3,951)	(7,700)	(4,000)
At the end of the year	**18,104**	**25,804**	**18,104**	**25,804**

15% tax rate was used to calculate deferred income taxes in 2014 and 2013.

The movement in deferred tax assets and liabilities of the Group during the period is as follows:

Group – deferred tax liabilities

	VAT on long term assets	Valuation of securities	Total
As at 1 January 2013	2,747	1,013	3,760
Charged/ (credited) in income statement	259	(548)	(289)
As at 1 January 2014	3,006	465	3,471
Charged/ (credited) in income statement	517	498	1,015
As at 31 December 2014	**3,523**	**963**	**4,486**

NOTE 9 **INCOME TAX (continued)**

Group – deferred income tax asset

	Depreciation of long-term assets	Valuation of securities	Tax losses	Accrued expenses/ deferred income	Total
As at 1 January 2013	1,505	7	31,478	525	33,515
Charged/ (credited) in income statement	220	123	(4,000)	75	(3,582)
Allowance for deferred tax assets	-	-	(658)	-	(658)
As at 1 January 2014	1,725	130	26,820	600	29,275
Charged/ (credited) in income statement	261	69	(7,700)	685	(6,685)
As at 31 December 2014	**1,986**	**199**	**19,120**	**1,285**	**22,590**

Deferred income tax assets are recognized for tax loss carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The deferred tax assets recognised at 31 December 2014 in respect of tax losses have been based on profitability assumptions over three year horizon. The expected future taxable profits are based on business plan assumptions taking into consideration uncertainties arising from the current economic environment. If the business plan earnings and assumptions in following quarters substantially deviate from the current assumptions, the amount of existing deferred tax assets may need to be adjusted.

As at 31 December 2014 the Group has LTL 205 million of unused tax losses which have no expiry date and unused tax losses which expire in 2015 in the amount LTL 15 million (unused tax losses as at 31 December 2013 were equal to LTL 257 million and LTL 15 million respectively). As at 31 December 2014 the Group has LTL 0.7 million a temporary difference (LTL 4.7 million as at 31 December 2013) resulting from revaluation of investment property and property held for sale to fair value for which no deferred tax has been recognised.

The movement in deferred income tax assets and liabilities of the Bank (prior to offsetting of balances) during the period is as follows:

Bank – deferred income tax liability

	VAT on long term assets	Valuation of securities	Total
As at 1 January 2013	2,747	956	3,703
Charged/ (credited) in income statement	259	(491)	(232)
As at 1 January 2014	3,006	465	3,471
Charged/ (credited) in income statement	517	498	1,015
As at 31 December 2014	**3,523**	**963**	**4,486**

NOTE 9 INCOME TAX (continued)

Bank – deferred income tax asset

	Depreciation of long-term assets	Valuation of securities	Tax losses	Accrued expenses/deferred income	Total
As at 1 January 2013	1,505	7	31,478	517	33,507
Charged/ (credited) in income statement	220	123	(4,000)	83	(3,574)
Allowance for deferred tax assets	-	-	(658)	-	(658)
As at 1 January 2014	1,725	130	26,820	600	29,275
Charged/ (credited) in income statement	261	69	(7,700)	685	(6,685)
As at 31 December 2014	**1,986**	**199**	**19,120**	**1,285**	**22,590**

As at 31 December 2014 the Bank has LTL 136 million of unused tax losses to carry forward which has no expiry date (LTL 184 million as at 31 December 2013).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The Bank's and Group's deferred tax assets and liabilities as shown in the statement of financial position are:

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Deferred income tax assets	22,590	29,275	22,590	29,275
Deferred income tax liabilities	(4,486)	(3,471)	(4,486)	(3,471)
As presented in statement of financial position	**18,104**	**25,804**	**18,104**	**25,804**

NOTE 10 EARNINGS PER SHARE

Earnings per share were calculated by dividing the Group's net profit for the period by the weighted average number of ordinary registered shares in issue during the period.

Calculation of weighted average for 2014	Note	Number of shares	Par value	Issued/ 365 (days)	Weighted average
Shares issued as of 31 December 2013		5,710,134	115	365/365	5,710,134
Shares issued as of 31 December 2014	31	**5,710,134**	**115**	**365/365**	**5,710,134**

Calculation of weighted average for 2013	Note	Number of shares	Par value	Issued/ 365(days)	Weighted average
Shares issued as of 31 December 2012		5,710,134	115	366/366	5,710,134
Shares issued as of 31 December 2013	31	**5,710,134**	**115**	**365/365**	**5,710,134**

	2014 Group	2013 Group
Profit attributed to equity holders of the parent	56,523	45,587
Weighted average number of issued shares (units)	5,710,134	5,710,134
Earnings per share (LTL per share)	9.90	7.98

The 2014 and 2013 diluted earnings per share ratios are the same as basic earnings per share.

NOTE 11 CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2014	2013	2014	2013
Cash and other valuables	287,687	297,796	287,687	297,796
Placements with Central Bank:				
Correspondent account with central bank	878,029	-	878,029	-
Compulsory reserves in national currency	201,974	185,089	201,974	185,089
Total	**1,367,690**	**482,885**	**1,367,690**	**482,885**

Required reserves held with the Bank of Lithuania are calculated monthly on the basis of previous month end liabilities subject to required reserves and 3% required reserves rate is applied. All required reserves are held only in LTL. The Bank of Lithuania doesn't pay interest for the required reserves.

NOTE 12 DUE FROM BANKS AND OTHER CREDIT INSTITUTIONS

	Group		Bank	
	2014	2013	2014	2013
Due from banks and other credit institutions				
Demand deposits	234,761	275,829	234,761	275,829
of which funds to secure the derivatives deals	4,662	13,224	4,662	13,224
Term deposits	207,170	569,755	207,170	569,755
Short term loans	48,732	37,908	48,732	37,908
Total	**490,663**	**883,492**	**490,663**	**883,492**

There were no allowances for impairment against due from banks neither at Bank nor at the Group level as of end of 2014 and 2013. Respectively, there were no changes in allowance for loan impairment and write-offs for such due and allowances in 2014 and 2013.

Credit unions were clasified as due from banks and other credit institutions in 2014 and the comparable figures for 2013 were restated respectively (LTL 37,908 thousand).

NOTE 13 FINANCIAL ASSETS HELD FOR TRADING

GROUP (BANK)

	2014			2013		
	Fair value measurement based on:			Fair value measurement based on:		
Debt securities	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data
Government bonds and treasury bills of the Republic of Lithuania	73,518	-	-	49,313	-	-
Government bonds of foreign issuers	5,037	-	-	1,649	-	-
Debt securities of foreign entities	6,590	-	-	2,544	-	-
Total	**85,145**	**-**	-	**53,506**	**-**	-

There were no movement of securities between valuation techniques during 2014 and 2013.

NOTE 14 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

GROUP

	2014			2013		
	Fair value measurement based on:			Fair value measurement based on:		
	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data
Debt securities						
Government bonds and treasury bills of the Republic of Lithuania	714,608	-	-	821,544	-	-
Equity securities						
Units of funds	126	-	-	516	-	-
Other	-	-	1,027	-	-	920
Total	**714,734**	**-**	**1,027**	**822,060**	**-**	**920**

BANK

	2014			2013		
	Fair value measurement based on:			Fair value measurement based on:		
	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data
Debt securities						
Government bonds and treasury bills of the Republic of Lithuania	710,239	-	-	815,557	-	-
Equity securities						
Units of funds	-	-	-	-	-	-
Other	-	-	1,027	-	-	920
Total	**710,239**	**-**	**1,027**	**815,557**	**-**	**920**

NOTE 14 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Government bonds with carrying amount of 408,587 thousand LTL has been pledged to Lithuanian Bank for frontloaded euro banknotes, coins and euro coin sets. According to euro frontloading agreement three instalments were transferred to Lithuanian Bank with the last one on 4th of February 2015 which defines termination of pledge.

The shares of SWIFT, VISA and MasterCard are treated as recognition of participation in these settlement systems. These shares are not quated in the market, therefore they were reclasified to level 3. No additional disclosures are made on level 3 financial assets since amount of such assets is immaterial to total balance.

Weighted yields and duration till maturity of debt securities are as follows:

Group	**2014**		**2013**	
	%	**Maturity (in years)**	**%**	**Maturity (in years)**
Government bonds of the Republic of Lithuania	0.61	0.73	0.67	0.81

Bank	**2014**		**2013**	
	%	**Maturity (in years)**	**%**	**Maturity (in years)**
Government bonds of the Republic of Lithuania	0.62	0.74	0.67	0.81

NOTE 15 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments predominantly used for hedging against risks under the Group's risk management positions. The Group and the Bank enters into transactions involving the following derivative instruments:

- Forward, future, swap, CFD and option transactions in currencies, interest rates, indexes, stocks, bonds and commodities and (or) any combinations of those.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, commodity or equity prices relative to their terms.

Aggregate amounts of derivative contracts can fluctuate within the risk ratio limits set by the Group. Fair values of derivative financial assets and liabilities may fluctuate significantly subject to market development.

The fair values of derivative financial instruments are set out in the following table.

	Notional amounts		**Fair values**	
	Purchase	**Sale**	**Assets**	**Liabilities**
As at 31 December 2014				
FX forwards, swaps, put, call options	725,597	725,765	12,790	13,680
Interest rate swaps, collars	1,995,948	1,984,726	12,556	8,876
Commodity related agreements	799	799	102	102
Total	**2,722,344**	**2,711,290**	**25,448**	**22,658**
As at 31 December 2013				
FX forwards, swaps, put, call options	2,687,217	2,696,094	2,245	11,884
Interest rate swaps, collars	1,841,264	1,830,042	5,200	6,754
Equity linked options	12,430	-	2,384	-
Commodity related agreements	9,810	9,875	2,696	2,586
Total	**4,550,721**	**4,536,011**	**12,525**	**21,224**

NOTE 16 LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Loans and advances to financial institutions	**31**	**16**	**368,964**	**340,086**
Loans to business customers:				
- Public authorities, state and municipal entities	1,080,915	957,642	1,080,915	957,642
- Large corporates	2,610,997	2,447,262	2,741,687	2,447,262
- SMEs	1,465,420	1,509,724	1,465,420	1,639,472
- Farmers	318,684	281,959	318,684	281,959
- Other	2,506	3,230	2,506	3,230
Total loans to business customers	**5,478,522**	**5,199,817**	**5,609,212**	**5,329,565**
Loans to individuals (retail):				
- Consumer loans	205,705	181,565	205,705	181,565
- Mortgages	4,194,734	4,065,835	4,194,734	4,065,835
- Loans secured by equity linked bonds issued by Bank	20,017	30,498	20,017	30,498
- Other	18,079	22,404	18,079	22,404
Total loans to individuals (retail)	**4,438,535**	**4,300,302**	**4,438,535**	**4,300,302**
Total gross loans granted	**9,917,088**	**9,500,135**	**10,416,711**	**9,969,953**
Total allowance for impairment:	(466,024)	(596,016)	(466,024)	(596,016)
to financial institutions	-	-	-	-
to business customers	(300,322)	(362,787)	(300,322)	(362,787)
to individuals	(165,702)	(233,229)	(165,702)	(233,229)
Total net loans and advances to customers	**9,451,064**	**8,904,119**	**9,950,687**	**9,373,937**

Other loans include credit cards, reverse repurchase agreements, other loans backed by securities and other.

NOTE 16 LOANS AND ADVANCES TO CUSTOMERS (continued)

Allowance for impairment

Reconciliation of allowance account for losses on loans and advances by class is as follows:

31 December 2014

	Group and Bank loans to individuals (retail)	Group and Bank loans to business customers
Balance as at 1 January 2014	**233,229**	**362,787**
Change in allowance for loan impairment	14,064	21,394
Loans written off during the year as uncollectible	(81 591)	(83 859)
As at 31 December 2014	**165,702**	**300,322**
Individual impairment	157,316	296,044
Collective impairment	8,386	4,278
	165,702	**300,322**
Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance	324 570	664 172

31 December 2013

	Group and Bank loans to individuals (retail)	Group and Bank loans to business customers
Balance as at 1 January 2013	**263,595**	**434,847**
Change in allowance for loan impairment	4,993	(3,073)
Loans written off during the year as uncollectible	(35,359)	(68,987)
As at 31 December 2013	**233,229**	**362,787**
Individual impairment	224,833	358,297
Collective impairment	8,396	4,490
	233,229	**362,787**
Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance	513,446	842,601

Net change in allowance for loan impairment accounts for LTL 35,458 thousand in the year ended 31 December, 2014 (2013: LTL 1,920 thousand).

There was no allowance for impairment against loans and advances to financial institutions either at the Bank or at the Group level as of the end of 2014. Respectively, there were no changes in allowance for loan impairment and write-offs for such loans and allowances in 2014 and 2013.

NOTE 17 OFFSETTING

As at 31 December 2014	Gross carrying amount	Amounts offset in the statement of financial position	Carrying amount	Collateralized by securities	Amounts after possible netting
ASSETS					
Loans and advances to customers[1]	84,444	-	84,444	84,444	-
Derivative financial instruments[2]	631	67	564	-	564
LIABILITIES					
Derivative financial instruments[2]	480	78	402	-	402

As at 31 December 2013	Gross carrying amount	Amounts offset in the statement of financial position	Carrying amount	Collateralized by securities	Amounts after possible netting
ASSETS					
Loans and advances to customers[1]	38,427	-	38,427	38,427	-
Derivative financial instruments[2]	751	214	537	-	537
LIABILITIES					
Derivative financial instruments[2]	2,237	210	2,027	-	2,027

1) *Includes reverse repurchase agreements.*
2) *Includes derivative financial instruments which are settled on a net basis.*

NOTE 18 FINANCE LEASE RECEIVABLES

	Up to one year	From 1 to 5 years	Over 5 years	Total
Gross investments in leasing				
Balance as at 31 December 2013	171,894	240,447	9,371	421,712
Change during 2014	6,315	17,770	6,075	30,160
Balance as at 31 December 2014	**178,209**	**258,217**	**15,446**	**451,872**
Unearned finance income on finance leases				
Balance as at 31 December 2013	8,819	10,998	486	20,303
Change during 2014	590	1,034	504	2,128
Balance as at 31 December 2014	**9,409**	**12,032**	**990**	**22,431**
Net investments in finance leases before impairment				
31 December 2013	163,075	229,449	8,885	401,409
31 December 2014	168,800	246,185	14,456	429,441
Changes in impairment				
Balance as at 31 December 2012	37,410	31,388	433	69,231
Increase (decrease) in impairment (Note 4)	(2,402)	(7,620)	(329)	(10,351)
Lease receivables written-off during the year as uncollectible	-	(9,128)	-	(9,128)
Balance as at 31 December 2013	**35,008**	**14,640**	**104**	**49,752**
Increase (decrease) in impairment (Note 4)	(1,874)	(5,798)	(3)	(7,675)
Lease receivables written-off during the year as uncollectible	-	(4,131)	-	(4,131)
Balance as at 31 December 2014	**33,134**	**4,711**	**101**	**37,946**
Net investments in finance leases after impairment				
31 December 2013	128,067	214,809	8,781	351,657
31 December 2014	**135,666**	**241,474**	**14,355**	**391,495**

NOTE 19 INVESTMENTS IN SUBSIDIARIES

	2014				2013
	Share	Nominal value	Impairment losses	Carrying value	Carrying value
Investments in consolidated subsidiaries					
AB DNB Lizingas	100%	172,335	(105,006)	67,329	67,329
UAB DNB Investicijų Valdymas	100%	4,000	-	4,000	4,000
UAB DNB Būstas	75.47%	3,700	(960)	2,740	2,740
UAB Intractus	100%	149,983	(25,000)	124,983	123,478
UAB Industrius	99.92%	47,175	(4,000)	43,175	40,209
Total			**(134,966)**	**242,227**	**237,756**

In 2014 based on estimated expected future cash flows, business growth and risk costs of subsidiaries the Bank recorded impairment losses amounting to LTL 29 million: UAB Intractus - LTL 25 million, UAB Industrius - LTL 4 million. The recoverable amount was measured at fair value less costs to sell which is categorised within level 3.
During the reported period the Bank did not sell its own shares or the shares of its subsidiaries to third parties.

NOTE 20 INVESTMENT IN AN ASSOCIATE

	2014				2013
	Share	Nominal value	Impairment losses	Carrying value	Carrying value
Investments in an assciate					
AB Informacinio verslo paslaugų įmonė	36.47%	2,042	-	2,042	-
Total			**-**	**2,042**	**-**

On 18th of November 2014 the Bank acquired 36,47 percent of shares of AB Informacinio verslo paslaugų įmonė. The assets were foreclosed with the aim to secure Bank's as the creditor's interest.

NOTE 21 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and premises	Vehicles	Equipment	Total
Cost:				
At 1 January 2013	98,625	1,702	83,302	183,629
Acquisitions	-	-	5,805	5,805
Disposals and write-offs	-	(215)	(9,644)	(9,859)
At 31 December 2013	**98,625**	**1,487**	**79,463**	**179,575**
Acquisitions	-	-	19,287	19,287
Disposals and write-offs	-	(108)	(11,580)	(11,688)
At 31 December 2014	**98,625**	**1,379**	**87,170**	**187,174**
Depreciation and impairment:				
At 1 January 2013	29,787	232	63,783	93,802
Disposals and write-offs	-	(252)	(9,161)	(9,413)
Depreciation charge for year	2,162	221	7,548	9,931
At 31 December 2013	**31,949**	**201**	**62,170**	**94,320**
Disposals and write-offs		56	(11,343)	(11,287)
Depreciation charge for year	2,162	202	7,470	9,834
Impairment			3,214	3,214
At 31 December 2014	**34,111**	**459**	**61,511**	**96,081**
Net book value:				
At 1 January 2013	**68,838**	**1,470**	**19,519**	**89,827**
At 31 December 2013	**66,676**	**1,286**	**17,293**	**85,255**
At 31 December 2014	**64,514**	**920**	**25,659**	**91,093**
Economic life (in years)	50	6	3-10	-

The cost of fully depreciated property, plant and equipment that is still in use:

31 December 2013	6,852	-	40,552	47,404
31 December 2014	6,852	-	38,597	45,449

NOTE 21 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank	**Buildings and premises**	**Vehicles**	**Equipment**	**Total**
Cost:				
At 1 January 2013	**98,625**	**1,219**	**82,870**	**182,714**
Acquisitions	-	-	5,769	5,769
Disposals and write-offs	-	-	(9,549)	(9,549)
At 31 December 2013	**98,625**	**1,219**	**79,090**	**178,934**
Acquisitions	-	-	19,277	19,277
Disposals and write-offs	-	-	(11,479)	(11,479)
At 31 December 2014	**98,625**	**1,219**	**86,888**	**186,732**
Depreciation and impairment:				
At 1 January 2013	**29,787**	**54**	**63,407**	**93,248**
Disposals and write-offs	-	-	(9,183)	(9,183)
Depreciation charge for year	2,162	201	7,522	9,885
At 31 December 2013	**31,949**	**255**	**61,746**	**93,950**
Disposals and write-offs		-	(11,135)	(11,135)
Depreciation charge for year	2,162	202	7,449	9,813
Impairment	-	-	3,214	3,214
At 31 December 2014	**34,111**	**457**	**61,274**	**95,842**
Net book value:				
At 1 January 2013	**68,838**	**1,165**	**19,463**	**89,466**
At 31 December 2013	**66,676**	**964**	**17,344**	**84,984**
At 31 December 2014	**64,514**	**762**	**25,614**	**90,890**
Economic life (in years)	50	6	3-10	-

No assets were pledged to a third party as at 31 December 2014 and 31 December 2013.

The Bank (Group) had ownership title to all of the intangible assets, property and equipment as at 31 December 2014 and 31 December 2013.

The cost of fully depreciated property, plant and equipment that is still in use:

31 December 2013	6,852	-	40,205	47,057
31 December 2014	6,852	-	38,402	45,254

NOTE 22 INVESTMENT PROPERTY

Group

	Land plots		Buildings							
	Other Level 2	**Other Level 3**	**Commer-cial Level 2**	**Residen-tial Level 2**	**Other Level 2**	**Commer-cial Level 3**	**Residen-tial Level 3**	**Other Level 3**	**Total 2014**	**Total 2013**
Book value as at 1 January	**46,113**	**12,950**	**62,009**	**63,424**	**20,437**	**12,720**	**6,880**	**3,260**	**227,793**	**227,047**
Acquisitions	265	32,743	-	-	-	30,613	10,524	420	74,565	46,351
Additions, capitalised investments	13	166	-	808	-	159	21	-	1,167	2,390
Additions (movement from held for sale)	1,074	10,405	1,966	-	-	11,542	3,186	-	28,173	-
Reclassifications	(9,193)	11,839	(62,009)	(6,403)	(20,437)	68, 471	20,568	(2,836)	-	
Disposals (sale)	(54)	(6,343)	-	(12,530)	-	(20,850)	(3,316)	-	(43,093)	(1,633)
Classified as held for sale	(1,653)	(3,102)	-	-		(3,483)	(457)	-	(8,695)	(44,042)
Net gains resulting from adjustment to fair value	(3,639)	(74)	-	484	-	(197)	2,827	-	(599)	(2,320)
Book value as at 31 December	**32,926**	**58,584**	**1,966**	**45,783**	**-**	**98,975**	**40,233**	**844**	**279,311**	**227,793**

As at 31 December 2014 there was no temporary restriction of disposal rights applied to the property owned by the Group. As at 31 December 2013 temporary restriction of disposal rights was applied to a part of the property owned by the Group with the value of LTL 6,880 thousand.

The movement of income/expenses related to investment properties were as follows:

	Level 1	**Level 2**	**Level 3**	**Total 2014**	**Total 2013**
Rental income from investment properties	-	-	3,015	3,015	1,494
Direct expenses (including repairs and maintenance) related to investment properties generating rental income	-	-	324	324	291
Direct expenses (including repairs and maintenance) related to investment properties not generating rental income	-	-	3,559	3,559	2,593

Investment properties are stated at fair value, which for the major part of properties has been determined according to valuations performed by accredited independent valuers.

The Group's management determines the policies and procedures for fair value measurement. External valuers are involved for valuation of significant assets. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case. The management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at least once a year. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

The valuation model for the Group's investment properties was formed based on market comparable approach and also income approach was used for some objects. Valuations of investment property were performed as at 31 December 2014. There were reclassifications of investment property made between levels during 2014 (no reclassifications of investment property made between levels during 2013). All investment property that was revalued using the comparable approach method with no significant adjustments to observable prices is clasified as

NOTE 22 INVESTMENT PROPERTY (continued)

level 2, the rest of the investment property is clasified as level 3 (in 2013 all the investment property was clasified as level 2, except the investment property that was revalued using income method).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (sqm).

Within the income approach to valuation the DCF method was used. Under the DCF method, a property's fair value is estimated using net operating income. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. The series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted. An appropriate discount rate is then applied to the cash flow.

The main unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy are:

- Rent price (1-80 LTL price per sqm per month)
- Exit yield (capitalization rate) (5.0-15%)
- Discount rate (7-15%)

The Group's management doesn't expect significant changes of unobservable inputs used in the nearest future. But in case of significant increases (decreases) in estimated rent price and rent growth in isolation, it would result in a significantly higher (lower) fair value measurement. Significant decrease (increase) in Occupancy level and increase (decrease) in discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption made for the estimated rent price is accompanied by a directionally:

- Similar change in the rent growth and discount rate (and exit yield)
- Opposite change in the Occupancy level

The average prices of land plots and buildings used in determining the fair value according to their purpose were as follows:

Land plots	**Average prices per are in 2014, in LTL thousand**	**Average prices per are in 2013, in LTL thousand**
Residential	2.0 - 120.0	2.0 - 80.0
Other	0.1 - 120.0	0.1 - 15.0
Buildings	**Average prices per sq.m. in 2014, in LTL thousand**	**Average prices per sq.m. in 2013, in LTL thousand**
Commercial	0.5 - 10.0	0.5 - 10.0
Residential	0.5 - 8.0	0.5 - 8.0
Other	0.5 - 6.0	0.1 – 6.0

NOTE 23 INTANGIBLE ASSETS

Cost	**Group**	**Bank**
As at 1 January 2013	27,686	26,298
Acquisitions	4,712	4,679
Disposals and write-offs	(2,286)	(2,260)
At 31 December 2013	**30,112**	**28,717**
Acquisitions	9,150	3,803
Disposals and write-offs	(5,949)	(5,698)
At 31 December 2014	**33,313**	**26,822**
Amortisation and impairment		
At 1 January 2013	18,699	17,340
Disposals	(2,256)	(2,231)
Amortisation	1,866	1,850
At 31 December 2013	**18,309**	**16,959**
Disposals	(5,949)	(5,698)
Amortisation	2,759	2,583
At 31 December 2014	**15,119**	**13,844**
Net book value:		
At 1 January 2013	**8,987**	**8,958**
At 31 December 2013	**11,803**	**11,758**
At 31 December 2014	**18,194**	**12,978**
Economic life (in years)	3-5	5

No assets were pledged to a third party as at 31 December 2014 and 31 December 2013. Intangible assets include purchased computer software and software licences.

The cost of fully amortised intangible assets that are still in use:

31 December 2013	13,481	12,161
31 December 2014	10,480	9,405

NOTE 24 OTHER ASSETS

	Group		**Bank**	
	2014	**2013**	**2014**	**2013**
Accrued income and deferred expenses	7,758	4,875	7,491	4,948
Repossessed assets	13,349	32,908	13,349	32,908
Assets bought for leasing activities	1,366	528	-	-
Prepayments and receivables	14,861	10,732	4,483	8,542
Other assets	6,861	4,003	2,756	3,583
Retrieved assets under cancelled lease contracts	16,964	46,212	-	-
Gross	**61,159**	**99,258**	**28,079**	**49,981**
Less: allowance for impairment of retrieved assets under cancelled lease contracts	(9,028)	(25,874)	-	-
allowance for impairment of other assets	(187)	(951)	(138)	(138)
Total	**51,944**	**72,433**	**27,941**	**49,843**

NOTE 25 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Movements on non-current assets and disposal groups held for sale by class were as follows:

Group

	Land plots		Buildings							
	Other Level 2	**Other Level 3**	**Commercial Level 2**	**Residential Level 2**	**Other Level 2**	**Commercial Level 3**	**Residential Level 3**	**Other Level 3**	**Total 2014**	**Total 2013**
Book value as at 1 January	**13,300**	**1,290**	**16,611**	**8,764**	**264**	**-**	**-**	**-**	**40,229**	**14,722**
Acquisitions		439	-	-	-	215	55	-	709	5
Additions, capitalised investments	1	5	192	-	-	-	-	-	198	12
Additions (movement from investment property)	1,653	3,102	-	-	-	3,483	457	-	8,695	44,042
Additions (movement from repossessed assets)	-	-	-	-	-	-	-	-	-	273
Reclassifications	(11,161)	10,308	(15,011)	(5,096)	(264)	15,864	5,096	264		-
Disposals (sale)	-	(891)	-	(2,735)	-	(4,012)	(1,357)	(264)	(9,259)	(16,451)
Disposals (movement to investment property)	(1,074)	(10,405)	(1,966)	-	-	(11,542)	(3,186)	-	(28,173)	-
Net gains resulting from adjustment to fair value	452	-	174	-	-	62	-	-	688	(2,374)
Book value as at 31 December	**3,171**	**3,848**	**-**	**933**	**-**	**4,070**	**1,065**	**-**	**13,087**	**40,229**

During the year, the Group took possession of a real estate with a carrying value of LTL 13,087 thousand at the year end (in 2013 LTL 40,229 thousand), which the Group is in the process of selling and which is included in non-current assets held for sale. There is no cumulative income or expenses in other comprehensive income relating to assets held for sale. Valuations of non-current assets and disposal groups held for sale were performed as at 31 December 2014. There were reclasifications of assets between levels during 2014 (no reclassifications made between levels during 2013). Non-current assets held for sale that were revalued using the comparable approach method with no significant adjustments to observable prices are clasified as level 2, the rest are clasified as level 3 (in 2013 all non-current assets held for sale were clasified as level 2, except the ones that were revalued using income method).. For more details on fair value measurement refer to Note 22.

NOTE 26 DUE TO BANKS AND OTHER CREDIT INSTITUTIONS

	Group		Bank	
	2014	2013	2014	2013
Funds of Central bank	5,784	-	5,784	-
Funds of banks and other credit institutions:				
Demand deposits	24,635	63,066	24,635	63,066
Term deposits	118,056	107,153	118,056	107,153
Loans	4,032,008	4,035,883	4,032,008	4,035,883
Total	**4,180,483**	**4,206,102**	**4,180,483**	**4,206,102**

Balances with credit unions were clasified as due to banks and other credit institutions in 2014 and the comparable figures for 2013 were restated respectively (LTL 5,339 thousand).

NOTE 27 DUE TO CUSTOMERS

	Group		Bank	
	2014	2013	2014	2013
Demand deposits				
of public authorities	381,221	238,126	381,221	238,126
of state and municipal entities	157,502	161,497	157,502	161,497
of financial institutions	23,903	25,982	29,656	27,469
of private entities	2,727,490	2,172,864	2,733,294	2,175,191
of individuals	2,461,723	1,801,327	2,461,723	1,801,327
Total demand deposits	**5,751,839**	**4,399,796**	**5,763,396**	**4,403,610**
Term deposits				
of public authorities	6,018	3,995	6,018	3,995
of state and municipal entities	25,308	15,518	25,308	15,518
of financial institutions	7,002	8,136	7,002	8,136
of private entities	162,003	404,633	162,003	404,633
of individuals	1,294,684	1,408,018	1,294,684	1,408,018
Total term deposits	**1,495,015**	**1,840,300**	**1,495,015**	**1,840,300**
Term loan	4,702	7,283	4,702	7,283
Total	**7,251,556**	**6,247,379**	**7,263,113**	**6,251,193**

As at 31 December 2014 the Group's deposits of LTL 53,755 thousand (2013: LTL 18,686 thousand) and Bank's deposits LTL 53,951 thousand (2013: LTL 18,956 thousand) held as collateral for irrevocable commitments under import letter of credit, guarantees and loans were included in customer accounts.

Credit unions were clasified as due to banks and other credit institutions in 2014 therefore the comparable figures of 2013 are restated respectively (LTL 5,339 thousand).

NOTE 28 DEBT SECURITIES IN ISSUE

The Bank and the Group debt securities in issue were as follows:

	Currency	Interest rate	Maturity	Carrying value 2014	2013
Index linked bonds					
	LTL	-	2014	-	8,056
	EUR	-	2014	-	1,983
Embedded derivatives				-	1,408
Deferred profit from index linked bonds				-	50
Total				-	11,497
Other bonds					
	LTL	4.18 p.a.	2014	-	1,038
	LTL	5.00 p.a.	2015	207	929
Total				207	1,967
Total debt securities in issue				**207**	**13,464**

The movements of deferred profit from index linked bonds were as follows:

	Group	Bank
As at 1 January 2014	**50**	**50**
Released to profit and loss during the year	(50)	(50)
As at 31 December 2014	**0**	**0**
As at 1 January 2013	**173**	**173**
Released to profit and loss during the year	(123)	(123)
As at 31 December 2013	**50**	**50**

NOTE 29 PROVISIONS

The movement of provisions was as follows:

	Group			Bank		
	Loan commitments and guarantees	**Pending legal issues and other**	**Restruc-turing**	**Loan commitments and guarantees**	**Pending legal issues and other**	**Restruc-turing**
As at 1 January 2014	**63**	**597**	**4,064**	**44,533**	**459**	**4,064**
Increase in provisions	41	1,405	1,974	41	1,405	1,974
Utilised	-	(114)	(3,008)	-	(114)	(3,008)
Unused amounts reversed	(146)	(138)	(118)	(9328)	-	(118)
Changes due to exchange rates	90	-	-	90	-	-
As at 31 December 2014	**48**	**1,750**	**2,912**	**35,336**	**1,750**	**2,912**
Current (less than one year)	41	350	2,912	35,334	350	2,912
Non-current (more than one year)	7	1,400	-	2	1,400	-
As at 31 December 2014	**48**	**1,750**	**2,912**	**35,336**	**1,750**	**2,912**
As at 1 January 2013	**327**	**4,457**	**1,099**	**52,828**	**4,319**	**1,099**
Increase in provisions	46	440	3,591	46	440	3,591
Utilised	-	(4,300)	(329)	-	(4,300)	(329)
Unused amounts reversed	(309)	-	(297)	(8,314)	-	(297)
Changes due to exchange rates	(1)	-	-	(27)	-	-
As at 31 December 2013	**63**	**597**	**4,064**	**44,533**	**459**	**4,064**
Current (less than one year)	28	597	4,064	32,481	459	4,064
Non-current (more than one year)	35	-	-	12,052	-	-
As at 31 December 2013	**63**	**597**	**4,064**	**44,533**	**459**	**4,064**

Legal claims. As at 31 December 2014, contingent liabilities that may arise as a result of pending court proceedings in which the Bank would appear as a respondent amounted to LTL 57,728 thousand (2013: LTL 65,573 thousand), of which LTL 26,947 thousand (2013: LTL 38,499 thousand) for legal claims related to index linked bonds. The Bank established a provision of LTL 1,750 thousand (2013: LTL 459 thousand) against potential losses in relation to the outcome of legal claims.

NOTE 30 OTHER LIABILITIES

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Accrued expenses and deferred income	29,442	21,715	27,232	20,948
Transit accounts (for payments of loans and BIS Litas)	5,248	4,301	5,248	4,301
Liabilities for transactions with payment cards	-	1,243	-	1,243
Liabilities to suppliers	3,633	4,648	1,523	2,225
Payables	4,693	11,486	4,170	10,100
Advance payment	3,340	1,396	-	-
Other liabilities	6,025	4,115	5,552	2,560
Total	**52,381**	**48,904**	**43,725**	**41,377**

NOTE 31 SHARE CAPITAL

Share premium amounted to LTL 282,929 thousand as at 31 December 2014 (as at 31 December 2013 – LTL 282,929 thousand).

Information about shareholder of the Bank is listed in the table below:

	2014			2013		
	Number of shares	**Nominal value, LTL thousand**	**%**	**Number of shares**	**Nominal value, LTL thousand**	**%**
DNB Bank ASA	5,710,134	656,665	100.00	5,710,134	656,665	100.00
Total	**5,710,134**	**656,665**	**100.00**	**5,710,134**	**656,665**	**100.00**

NOTE 32 RESERVES

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Mandatory reserve	12,248	4,998	12,028	4,798
Other reserves	831	831	831	831
Reserve capital	364,270	364,270	364,270	364,270
Total	**377,349**	**370,099**	**377,129**	**369,899**

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

Other reserves contain fixed assets revaluation reserve which relates to the revaluation of tangible fixed assets. The reserve capital of a bank is formed by the additional contributions of the bank's shareholders.

NOTE 33 ASSETS / FUNDS UNDER MANAGEMENT

Assets under management and related liabilities are accounted for off-balance sheet.

Assets under management totalling to LTL 25,206 thousand as at 31 December 2014 (2013: LTL 28,877 thousand) consist of loans granted to legal entities and individuals, including farmers and house building associations and other companies. These loans were granted from the Lithuanian Agricultural Support Fund, the Farmers' Support Fund, the Agricultural Support Fund (proceeds from sale of grain received from the USA) and the Common Mortgage Support Fund, the BoL Mortgage Support Fund.

The Bank manages these loans on behalf of the Lithuanian Ministry of Finance and the Lithuanian Ministry of Agriculture. The Bank's credit risk in respect these loans is limited to the customer's failure to pay the accrued interest margin. The Bank is not subject to any interest or currency risk on these loans.

Subsidiary DNB Investicijų Valdymas UAB manages the following funds:

	2014 (Unaudited)	2013 (Unaudited)
Investment funds:		
DNB Liquidity fund	28,348	39,035
DNB Equity Fund of funds	9,335	9,292
2rd pillar pension funds:		
DNB pensija 1	49,971	44,455
DNB pensija 2	275,944	228,083
DNB pensija 3	251,077	203,710
ERGO Konservatyvusis	48,282	-
ERGO Balans	132,860	-
3rd pillar pension fund:		
DNB papildoma pensija	47,374	32,789
DNB papildoma pensija 100	5,754	3,720
DNB papildoma konservatyvi pensija	4,030	616
DNB papildoma darbuotojo pensija 50	0	-
DNB papildoma darbuotojo pensija 25	6	-
Value of individually managed investment portfolios	42,445	36,005
Total	**895,426**	**597,705**

NOTE 34 CONTINGENT LIABILITIES AND COMMITMENTS

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

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Guarantees	402,178	417,525	621,394	649,705
Letters of credit	18,135	4,372	18,135	4,372
Commitments to grant loans	1,365,146	1,198,897	1,702,490	1,549,852
Commitments to grant finance leases	15,355	3,874	-	-
Capital commitments and other commitments to acquire assets	7,338	3,140	340	2,586
Other commitments	12,000	13,444	12,000	13,444
Total	**1,820,152**	**1,641,252**	**2,354,359**	**2,219,959**

The management of the Bank considers the level of provisions to be sufficient to cover the potential losses that may arise out of the above items.

As of 31st of December 2014 the Bank had a contingent liability of LTL 378,491 thousand to the Bank of Lithuania for frontloaded euro banknotes, coins and euro coin sets. This amount was accounted as a liability to the Bank of Lithuania on 1st of January 2015 and the the respective amount was booked on the asset side – EUR cash. The accounting transactions were done following the requirements set by the Bank of Lithuania (Policy on frontloaded euro banknotes and coins primary and secondary distribution).

NOTE 35 CASH AND CASH EQUIVALENTS

	Group		Bank	
	2014	2013	2014	2013
Cash (Note 11)	287,687	297,796	287,687	297,796
Correspondent accounts with other banks	230,099	88,256	230,099	88,256
Overnight deposits	-	174,349	-	174,349
Required reserves in national currency in Central Bank (Note 11)	201,974	185,089	201,974	185,089
Correspondent account with Central bank	878,029	-	878,029	-
Total	**1,597,789**	**745,490**	**1,597,789**	**745,490**

NOTE 36 LIQUIDITY RISK

According to the regulations approved by the Bank of Lithuania, the liquidity ratio should not be less than 30%. In 2014 and 2013 the Bank and Group complied with the liquidity ratio set by the Bank of Lithuania. Liquidity riks management is described in chapter Financial risk management (part 3.1 and 3.2).

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

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Assets									
Cash and balances with central banks	1,367,690	-	-	-	-	-	-	-	1,367,690
Due from banks and other credit institutions	234,762	227,846	28,055	-	-	-	-	-	490,663
Financial assets held for trading	-	1,142	996	2,303	1,798	26,303	52,603	-	85,145
Financial assets designated at fair value throught profit or loss	-	196,801	46,948	289,342	65,609	38,693	77,215	1,153	715,761
Derivative financial instruments	-	2,921	5,424	4,155	57	3,427	9,464	-	25,448
Loans and advances to customers	-	163,712	400,349	647,116	1,255,102	1,925,749	4,677,225	381,811	9,451,064
Finance lease receivables	-	16,648	23,222	32,795	64,663	174,847	79,285	35	391,495
Investment property	-	-	-	-	-	-	-	279,311	279,311
Investment in an asociate	-	-	-	-	-	-	-	2,203	2,203
Property, plant and equipment	-	-	-	-	-	-	-	91,093	91,093
Intangible assets	-	-	-	-	-	-	-	18,194	18,194
Deferred income tax asset								18,104	18,104
Other assets	1,328	16,927	1,393	15	66	-	-	32,215	51,944
Non-curent assets and disposal groups held for sale	-	-	-	-	13,087	-	-	-	13,087
Total assets	**1,603,780**	**625,997**	**506,387**	**975,726**	**1,400,382**	**2,169,019**	**4,895,792**	**824,119**	**13,001,202**

NOTE 36 LIQUIDITY RISK (continued)

Liabilities and shareholders' equity									
Due from banks and other credit institutions	24,635	3,916	15,305	702	1,196	4,134,729	-	-	4,180,483
Derivative financial instruments	-	3,774	3,631	4,361	1,554	2,970	6,368	-	22,658
Due to customers	5,751,840	263,531	364,587	396,616	417,208	41,988	15,786	-	7,251,556
Debt securities in issue	-	-	-	207	-	-	-	-	207
Provisions	-	--	40	693	2,221	8	-	1,748	4,710
Other liabilities	8,532	22,859	2,728	2,297	8,232	2,624	483	4,626	52,381
Shareholders' equity	-	-	-	-	-	-	-	1,489,207	1,489,207
Total liabilities and shareholders' equity	**5,785,007**	**294,080**	**386,291**	**404,876**	**430,411**	**4,182,319**	**22,637**	**1,495,581**	**13,001,202**
Net liquidity gap	**(4,181,227)**	**331,917**	**120,096**	**570,850**	**996,971**	**(2,013,300)**	**4,873,155**	**(671,462)**	**-**

The structure of the Group's assets and liabilities by the contractual remaining maturity as at 31 December 2013 is as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Assets									
Cash and balances with central banks	482,885	-	-	-	-	-	-	-	482,885
Due from banks and other credit institutions	101,480	779,356	2,656	-	-	-	-	-	883,492
Financial assets held for trading	-	52	564	370	154	23,772	28,594	-	53,506
Financial assets designated at fair value throught profit or loss	-	-	151,266	351,080	208,941	51,539	58,718	1,436	822,980
Derivative financial instruments	-	2,498	1,964	640	1,427	1,506	4,490	-	12,525
Loans and advances to customers	-	144,997	399,712	659,798	972,454	1,674,393	4,437,953	614,812	8,904,119
Finance lease receivables	-	27,531	21,568	30,160	52,288	149,757	69,982	371	351,657
Investment property	-	-	-	-	-	-	-	227,793	227,793
Property, plant and equipment	-	-	-	-	-	-	-	85,255	85,255
Intangible assets	-	-	-	-	-	-	-	11,803	11,803
Deferred income tax asset	-	-	-	-	-	-	-	25,804	25,804
Other assets	997	8,715	764	18	70	32	26	61,811	72,433
Non-curent assets and disposal groups held for sale	-	-	-	-	40,229	-	-	-	40,229
Total assets	**585,362**	**963,149**	**578,494**	**1,042,066**	**1,275,563**	**1,900,999**	**4,599,763**	**1,029,085**	**11,974,481**

NOTE 36 LIQUIDITY RISK (continued)

Liabilities and shareholders' equity									
Due from banks and other credit institutions	23,857	42,670	2,583	1,041	1,223	4,031,144	103,584	-	4,206,102
Derivative financial instruments	-	4,087	4,931	4,389	1,935	1,203	4,679	-	21,224
Due to customers	4,399,796	414,304	507,211	492,987	368,004	44,281	20,796	-	6,247,379
Debt securities in issue	-	-	488	4,229	7,847	900	-	-	13,464
Provisions	-	5	1,191	681	2,215	34	1	597	4,724
Other liabilities	9,082	22,733	2,173	2,000	8,454	2,481	268	1,713	48,904
Shareholders' equity	-	-	-	-	-	-	-	1,432,684	1,432,684
Total liabilities and shareholders' equity	**4,432,735**	**483,799**	**518,577**	**505,327**	**389,678**	**4,080,043**	**129,328**	**1,434,994**	**11,974,481**
Net liquidity gap	**(3,847,373)**	**479,350**	**59,917**	**536,739**	**885,885**	**(2,179,044)**	**4,470,435**	**(405,909)**	**-**

The Group's liquidity ratio is the ratio of liquid assets to its current liabilities. The Group's liquidity ratios calculated using the rules approved by the Bank of Lithuania were as follows at the end of the year:

	Liquid assets	Current liabilities	Liquidity ratio (per cent)
31 December 2013	2,315,537	5,819,072	39.79
31 December 2014	2,701,808	7,056,631	38.29

NOTE 36 LIQUIDITY RISK (continued)

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

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity unde-fined	Total
Assets									
Cash and balances with central banks	1,367,690	-	-	-	-	-	-	-	1,367,690
Due from banks and other credit institutions	234,762	227,846	28,055	-	-	-	-	-	490,663
Financial assets held for trading	-	1,142	996	2,303	1,798	26,303	52,603	-	85,145
Financial assets designated at fair value throught profit or loss	-	196,780	46,936	288,166	65,599	38,689	74,068	1,028	711,266
Derivative financial instruments	-	2,921	5,424	4,155	57	3,427	9,464	-	25,448
Loans and advances to customers	-	163,720	400,349	647,116	1,255,102	1,925,749	5,176,840	381,811	9,950,687
Investments in subsidiaries	-	-	-	-	-	-	-	242,227	242,227
Investment in an associate	-	-	-	-	-	-	-	2,042	2,042
Property, plant and equipment	-	-	-	-	-	-	-	90,890	90,890
Intangible assets	-	-	-	-	-	-	-	12,978	12,978
Deferred income tax asset	-	-	-	-	-	-	-	18,104	18,104
Other assets	1,236	1,330	1	9	19	-	-	25,346	27,941
Non-curent assets and disposal groups held for sale	-	-	-	-	933	-	-	-	933
Total assets	**1,603,688**	**593,739**	**481,761**	**941,749**	**1,323,508**	**1,994,168**	**5,312,975**	**774,426**	**13,026,014**
Liabilities and shareholders' equity									
Due from banks and other credit institutions	24,635	3,916	15,305	702	1,196	4,134,729	-	-	4,180,483
Derivative financial instruments	-	3,774	3,631	4,361	1,554	2,970	6,368	-	22,658
Due to customers	5,763,397	263,531	364,587	396,616	417,208	41,988	15,786	-	7,263,113
Debt securities in issue	-	-	-	207	-	-	-	-	207
Provisions	-	32,196	40	693	2,253	3,068	-	1,748	39,998
Other liabilities	7,070	18,214	2,164	1,849	7,975	1,917	165	4,371	43,725
Shareholders' equity	-	-	-	-	-	-	-	1,475,830	1,475,830
Total liabilities and shareholders' equity	**5,795,102**	**321,631**	**385,727**	**404,428**	**430,186**	**4,184,672**	**22,319**	**1,481,949**	**13,026,014**
Net liquidity gap	**(4,191,414)**	**272,108**	**96,034**	**537,321**	**893,322**	**(2,190,504)**	**5,290,656**	**(707,523)**	**-**

NOTE 36 LIQUIDITY RISK (continued)

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

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity unde-fined	Total
Assets									
Cash and balances with central banks	482,885	-	-	-	-	-	-	-	482,885
Due from banks and other credit institutions	101,480	779,356	2,656	-	-	-	-	-	883,492
Financial assets held for trading	-	52	564	370	154	23,772	28,594	-	53,506
Financial assets designated at fair value throught profit or loss	-	-	151,207	351,032	208,081	47,801	57,436	920	816,477
Derivative financial instruments	-	2,498	1,964	640	1,427	1,506	4,490	-	12,525
Loans and advances to customers	-	145,270	869,257	659,798	972,454	1,674,393	4,437,953	614,812	9,373,937
Investments in subsidiaries	-	-	-	-	-	-	-	237,756	237,756
Property, plant and equipment	-	-	-	-	-	-	-	84,984	84,984
Intangible assets	-	-	-	-	-	-	-	11,758	11,758
Deferred income tax asset	-	-	-	-	-	-	-	25,804	25,804
Other assets	727	896	67	7	17	32	-	48,097	49,843
Non-curent assets and disposal groups held for sale	-	-	-	-	3,544	-	-	-	3,544
Total assets	**585,092**	**928,072**	**1,025,715**	**1,011,847**	**1,185,677**	**1,747,504**	**4,528,473**	**1,024,131**	**12,036,511**
Liabilities and shareholders' equity									
Due from banks and other credit institutions	23,857	42,670	2,583	1,041	1,223	4,031,144	103,584	-	4,206,102
Derivative financial instruments	-	4,087	4,931	4,389	1,935	1,203	4,679	-	21,224
Due to customers	4,403,610	414,304	507,211	492,987	368,004	44,281	20,796	-	6,251,193
Debt securities in issue	-	-	488	4,229	7,847	900	-	-	13,464
Provisions	-	32,197	1,191	681	2,476	12,051	1	459	49,056
Other liabilities	8,072	18,606	1,470	1,782	7,863	1,865	1	1,718	41,377
Shareholders' equity	-	-	-	-	-	-	-	1,454,095	1,454,095
Total liabilities and shareholders' equity	**4,435,539**	**511,864**	**517,874**	**505,109**	**389,348**	**4,091,444**	**129,061**	**1,456,272**	**12,036,511**
Net liquidity gap	**(3,850,447)**	**416,208**	**507,841**	**506,738**	**796,329**	**(2,343,940)**	**4,399,412**	**(432,141)**	**-**

The Bank's liquidity ratio is the ratio of liquid assets to its current liabilities. The Bank's liquidity ratios calculated using the rules approved by the Bank of Lithuania were as follows at the end of each year:

	Liquid assets	Current liabilities	Liquidity ratio (per cent)
31 December 2013	2,295,921	5,880,523	39.04
31 December 2014	2,689,118	7,061,885	38.08

NOTE 37 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS

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

	USD	EUR	GBP	NOK	Other curren-cies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	9,427	53,901	8,276	9,843	15,988	97,435	1,270,255	1,367,690
Due from banks and other credit institutions	19,422	398,796	8,793	1,865	17,173	446,049	44,614	490,663
Financial assets held for trading	10,388	34,834	-	-	-	45,222	39,923	85,145
Financial assets designated at fair value throught profit or loss	921	1,086	-	-	-	2,007	713,754	715,761
Derivative financial instruments	18	12,641	-	-	-	12,659	12,789	25,448
Loans and advances to customers	49,291	6,598,402	-	-	-	6,647,693	2,803,371	9,451,064
Finance lease receivables	2,616	336,550	-	-	-	339,166	52,329	391,495
Investment in an associate	-	-	-	-	-	-	2,203	2,203
Investment property	-	-	-	-	-	-	279,311	279,311
Property, plant and equipment	-	-	-	-	-	-	91,093	91,093
Intangible assets	-	-	-	-	-	-	18,194	18,194
Deferred income tax asset	-	-	-	-	-	-	18,104	18,104
Other assets	248	2,005	56	869	195	3,373	48,571	51,944
Non-curent assets and disposal groups held for sale							13,087	13,087
Total assets	**92,331**	**7,438,215**	**17,125**	**12,577**	**33,356**	**7,593,604**	**5,407,598**	**13,001,202**
Liabilities and equity								
Due to banks and other credit institutions	3,010	4,163,268	21	122	249	4,166,670	13,813	4,180,483
Derivative financial instruments	12	8,965	-	-	-	8,977	13,681	22,658
Due to customers	330,239	1,445,579	15,905	128,197	25,411	1,945,331	5,306,225	7,251,556
Debt securities in issue	-	-	-	-	-	-	207	207
Provisions	6	40	-	-	-	46	4,664	4,710
Other liabilities	167	1,480	6	820	12	2,485	49,896	52,381
Total equity	-	-	-	-	-	-	1,489,207	1,489,207
Total liabilities and equity	**333,434**	**5,619,332**	**15,932**	**129,139**	**25,672**	**6,123,509**	**6,877,693**	**13,001,202**
Net balance sheet position	**(241,103)**	**1,818,883**	**1,193**	**(116,562)**	**7,684**	**1,470,095**	**(1,470,095)**	**-**
Off-balance sheet position	**241,661**	**(468,747)**	**(1,278)**	**116,602**	**(7,523)**	**(119,285)**	**113,166**	**(6,119)**
Net open position	**558**	**1,350,136**	**(85)**	**40**	**161**	**1,350,810**	**(1,356,929)**	**(6,119)**

NOTE 37 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)

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

	USD	EUR	GBP	NOK	Other curren-cies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	15,169	40,806	11,797	14,984	24,675	107,431	375,454	482,885
Due from banks and other credit institutions	75,286	766,598	5,142	560	13,417	861,003	22,489	883,492
Financial assets held for trading	11	14,365	-	-	1,649	16,025	37,481	53,506
Financial assets designated at fair value throught profit or loss	814	1,071	-	-	-	1,885	821,095	822,980
Derivative financial instruments	34	7,549	-	2,696	-	10,279	2,246	12,525
Loans and advances to customers	52,445	6,476,331	-	-	-	6,528,776	2,375,343	8,904,119
Finance lease receivables	283	281,636	-	-	-	283,719	67,938	351,657
Property, plant and equipment	-	-	-	-	-	-	85,255	85,255
Investment property	-	-	-	-	-	-	227,793	227,793
Intangible assets	-	-	-	-	-	-	11,803	11,803
Deferred income tax asset	-	-	-	-	-	-	25,804	25,804
Other assets	277	3,470	17	72	197	4,163	68,270	72,433
Non-curent assets and disposal groups held for sale	-	-	-	-	-	-	40,229	40,229
Total assets	**146,119**	**7,591,826**	**17,086**	**18,312**	**39,938**	**7,813,281**	**4,161,200**	**11,974,481**
Liabilities and equity								
Due to banks and other credit institutions	4,387	4,147,824	104	293	3,642	4,156,250	49,852	4,206,102
Derivative financial instruments	25	6,729	-	2,586	-	9,340	11,884	21,224
Due to customers	255,923	1,320,998	13,589	143,683	26,073	1,760,266	4,487,113	6,247,379
Debt securities in issue	-	3,395	-	-	-	3,395	10,069	13,464
Provisions	30	-	-	-	-	30	4,694	4,724
Other liabilities	289	3,689	150	229	1,213	5,570	43,334	48,904
Total equity	-	-	-	-	-	-	1,432,684	1,432,684
Total liabilities and equity	**260,654**	**5,482,635**	**13,843**	**146,791**	**30,928**	**5,934,851**	**6,039,630**	**11,974,481**
Net balance sheet position	**(114,535)**	**2,109,191**	**3,243**	**(128,479)**	**9,010**	**1,878,430**	**(1,878,430)**	**-**
Off-balance sheet position	**116,512**	**(2,081,485)**	**(3,162)**	**128,236**	**(6,018)**	**(1,845,917)**	**1,833,896**	**(12,021)**
Net open position	**1,977**	**27,706**	**81**	**(243)**	**2,992**	**32,513**	**(44,534)**	**(12,021)**

NOTE 37 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)

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

	USD	EUR	GBP	NOK	Other curren-cies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	9,427	53,901	8,276	9,843	15,988	97,435	1,270,255	1,367,690
Due from banks and other credit institutions	19,422	398,796	8,793	1,865	17,173	446,049	44,614	490,663
Financial assets held for trading	10,388	34,834	-	-	-	45,222	39,923	85,145
Financial assets designated at fair value throught profit or loss	921	106	-	-	-	1,027	710,239	711,266
Derivative financial instruments	18	12,641	-	-	-	12,659	12,789	25,448
Loans and advances to customers	49,291	7,098,025	-	-	-	7,147,316	2,803,371	9,950,687
Investments in subsidiaries	-	-	-	-	-	-	242,227	242,227
Investment in an associate	-	-	-	-	-	-	2,042	2,042
Property, plant and equipment	-	-	-	-	-	-	90,890	90,890
Intangible assets	-	-	-	-	-	-	12,978	12,978
Deferred income tax asset	-	-	-	-	-	-	18,104	18,104
Other assets	248	1,944	56	869	195	3,312	24,629	27,941
Non-curent assets and disposal groups held for sale	-	-	-	-	-	-	933	933
Total assets	**89,715**	**7,600,247**	**17,125**	**12,577**	**33,356**	**7,753,020**	**5,272,994**	**13,026,014**
Liabilities and equity								
Due to banks and other credit institutions	3,010	4,163,268	21	122	249	4,166,670	13,813	4,180,483
Derivative financial instruments	12	8,965	-	-	-	8,977	13,681	22,658
Due to customers	330,239	1,447,005	15,905	128,197	25,411	1,946,757	5,316,356	7,263,113
Debt securities in issue	-	-	-	-	-	-	207	207
Provisions	928	787	-	-	-	1,715	38,283	39,998
Other liabilities	166	1,480	6	820	12	2,484	41,241	43,725
Total equity	-	-	-	-	-	-	1,475,830	1,475,830
Total liabilities and equity	**334,355**	**5,621,505**	**15,932**	**129,139**	**25,672**	**6,126,603**	**6,899,411**	**13,026,014**
Net balance sheet position	**(244,640)**	**1,978,742**	**1,193**	**(116,562)**	**7,684**	**1,626,417**	**(1,626,417)**	**-**
Off-balance sheet position	**239,046**	**(475,514)**	**(1,278)**	**116,602**	**(7,523)**	**(128,667)**	**111,188**	**(17,479)**
Net open position	**(5,594)**	**1,503,228**	**(85)**	**40**	**161**	**1,497,750**	**(1,515,229)**	**(17,479)**

NOTE 37 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)

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

	USD	EUR	GBP	NOK	Other curren-cies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	15,169	40,806	11,797	14,984	24,675	107,431	375,454	482,885
Due from banks and other credit institutions	75,286	766,598	5,142	560	13,417	861,003	22,489	883,492
Financial assets held for trading	11	14,365	-	-	1,649	16,025	37,481	53,506
Financial assets designated at fair value throught profit or loss	814	106	-	-	-	920	815,557	816,477
Derivative financial instruments	34	7,549	-	2,696	-	10,279	2,246	12,525
Loans and advances to customers	54,905	6,769,940	-	-	-	6,824,845	2,549,092	9,373,937
Investments in subsidiaries	-	-	-	-	-	-	237,756	237,756
Property, plant and equipment	-	-	-	-	-	-	84,984	84,984
Intangible assets	-	-	-	-	-	-	11,758	11,758
Deferred income tax asset	-	-	-	-	-	-	25,804	25,804
Other assets	277	2,136	147	72	197	2,829	47,014	49,843
Non-curent assets and disposal groups held for sale	-	-	-	-	-	-	3,544	3,544
Total assets	**146,496**	**7,601,500**	**17,086**	**18,312**	**39,938**	**7,823,332**	**4,213,179**	**12,036,511**
Liabilities and equity								
Due to banks and other credit institutions	4,387	4,147,824	104	293	3,642	4,156,250	49,852	4,206,102
Derivative financial instruments	25	6,729	-	2,586	-	9,340	11,884	21,224
Due to customers	255,923	1,321,700	13,589	143,683	26,073	1,760,968	4,490,225	6,251,193
Debt securities in issue	-	3,395	-	-	-	3,395	10,069	13,464
Provisions	430	9,394	-	-	-	9,824	39,232	49,056
Other liabilities	290	3,590	150	229	1,214	5,473	35,904	41,377
Total equity	-	-	-	-	-	-	1,454,095	1,454,095
Total liabilities and equity	**261,055**	**5,492,632**	**13,843**	**146,791**	**30,929**	**5,945,250**	**6,091,261**	**12,036,511**
Net balance sheet position	**(114,559)**	**2,108,868**	**3,243**	**(128,479)**	**9,009**	**1,878,082**	**(1,878,082)**	**-**
Off-balance sheet position	**114,218**	**(2,091,626)**	**(3,162)**	**128,236**	**(6,018)**	**(1,858,352)**	**1,830,336**	**(28,016)**
Net open position	**(341)**	**17,242**	**81**	**(243)**	**2,991**	**19,730**	**(47,746)**	**(28,016)**

According to the regulations approved by the Bank of Lithuania, the overall open position (except EUR) of the bank's calculated capital (see part 7 "Capital management" of the Financial risk management) should not exceed 25% and the open position of each individual foreign currency (except EUR) should not exceed 15% of the bank's calculated capital.

NOTE 38 INTEREST RATE RISK

The table below summarises the Group's interest rate risks as at 31 December 2014. Assets and liabilities are shown at their carrying amounts categorised by the earlier of contractual repricing or maturity dates.

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Assets								
Cash and balances with central banks	1,367,690	-	-	-	-	-	-	1,367,690
Due from banks and other credit institutions	490,663	-	-	-	-	-	-	490,663
Financial assets held for trading	1,142	3,711	2,303	1,798	26,303	49,888	-	85,145
Financial assets designated at fair value throught profit or loss	196,801	46,948	289,342	65,613	41,300	74,604	1,153	715,761
Derivative financial instruments	104	441	665	-	1,883	9,463	12,892	25,448
Loans and advances to customers	1,612,115	3,275,515	3,212,846	420,884	277,469	652,235	-	9,451,064
Finance lease receivables	126,546	184,588	64,559	4,393	7,558	3,851	-	391,495
Investment in an associate							2,203	2,203
Investment property	-	-	-	-	-	-	279,311	279,311
Property, plant and equipment	-	-	-	-	-	-	91,093	91,093
Intangible assets	-	-	-	-	-	-	18,194	18,194
Deferred income tax asset	-	-	-	-	-	-	18,104	18,104
Other assets	-	-	-	-	-	-	51,944	51,944
Non-curent assets and disposal groups held for sale	-	-	-	-	-	-	13,087	13,087
Total assets	**3,795,061**	**3,511,203**	**3,569,715**	**492,688**	**354,513**	**790,041**	**487,981**	**13,001,202**
Liabilities and shareholders' equity								
Due to banks and other credit institutions	489,701	1,221,858	2,106,910	139,308	222,706	-	-	4,180,483
Derivative financial instruments	86	299	594	-	1,569	6,328	13,782	22,658
Due to customers	6,015,368	364,587	396,616	421,902	41,988	11,095	-	7,251,556
Debt securities in issue	-		207	-	-	-	-	207
Provisions	-	-	-	-	-	-	4,710	4,710
Other liabilities	-	-	-	-	-	-	52,381	52,381
Shareholders' equity	-	-	-	-	-	-	1,489,207	1,489,207
Total liabilities and shareholders' equity	**6,505,155**	**1,586,744**	**2,504,327**	**561,210**	**266,263**	**17,423**	**1,560,080**	**13,001,202**
Interest rate sensitivity gap	**(2,710,094)**	**1,924,459**	**1,065, 388**	**(68,522)**	**88,250**	**772,618**	**(1,072,099)**	**-**

NOTE 38 INTEREST RATE RISK (continued)

The Group's interest rate risk as at 31 December 2013 was as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Assets								
Cash and balances with central banks	482,885	-	-	-	-	-	-	482,885
Due from banks and other credit institutions	880,836	2,656	-	-	-	-	-	883,492
Financial assets held for trading	52	2,332	370	154	22,004	28,594	-	53,506
Financial assets designated at fair value throught profit or loss	-	151,266	351,080	208,941	51,539	58,718	1,436	822,980
Derivative financial instruments	141	375	84	-	1,209	3,390	7,326	12,525
Loans and advances to customers	1,453,928	2,933,080	3,147,595	374,887	198,374	796,255	-	8,904,119
Finance lease receivables	130,612	141,225	69,991	3,818	720	5,291	-	351,657
Investment property	-	-	-	-	-	-	227,793	227,793
Property, plant and equipment	-	-	-	-	-	-	85,255	85,255
Intangible assets	-	-	-	-	-	-	11,803	11,803
Deferred income tax asset	-	-	-	-	-	-	25,804	25,804
Other assets	-	-	-	-	-	-	72,433	72,433
Non-curent assets and disposal groups held for sale	-	-	-	-	-	-	40,229	40,229
Total assets	**2,948,454**	**3,230,934**	**3,569,120**	**587,800**	**273,846**	**892,248**	**472,079**	**11,974,481**
Liabilities and shareholders' equity								
Due to banks and other credit institutions	757,087	1,072,951	2,107,249	139,335	25,896	103,584	-	4,206,102
Derivative financial instruments	94	977	1,298	-	758	3,627	14,470	21,224
Due to customers	4,814,075	503,145	490,753	375,266	44,281	14,244	5,615	6,247,379
Debt securities in issue	-	488	4,229	7,847	900	-	-	13,464
Provisions	-	-	-	-	-	-	4,724	4,724
Other liabilities	-	-	-	-	-	-	48,904	48,904
Shareholders' equity	-	-	-	-	-	-	1,432,684	1,432,684
Total liabilities and shareholders' equity	**5,571,256**	**1,577,561**	**2,603,529**	**522,448**	**71,835**	**121,455**	**1,506,397**	**11,974,481**
Interest rate sensitivity gap	**(2,622,802)**	**1,653,373**	**965,591**	**65,352**	**202,011**	**770,793**	**(1,034,318)**	**-**

NOTE 38 INTEREST RATE RISK (continued)

The Bank's interest rate risk as at 31 December 2014 is as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Assets								
Cash and balances with central banks	1,367,690	-	-	-	-	-	-	1,367,690
Due from banks and other credit institutions	490,663	-	-	-	-	-	-	490,663
Financial assets held for trading	1,142	3,711	2,303	1,798	26,303	49,888	-	85,145
Financial assets designated at fair value throught profit or loss	196,780	46,936	288,166	65,599	38,689	74,068	1,028	711,266
Derivative financial instruments	104	441	665	-	1,883	9,463	12,892	25,448
Loans and advances to customers	1,612,123	3,406,205	3,581,771	420,884	277,469	652,235	-	9,950,687
Investments in subsidiaries	-	-	-	-	-	-	242,227	242,227
Investment in an associate							2,042	2,042
Property, plant and equipment	-	-	-	-	-	-	90,890	90,890
Intangible assets	-	-	-	-	-	-	12,978	12,978
Deferred income tax asset	-	-	-	-	-	-	18,104	18,104
Other assets	-	-	-	-	-	-	27,941	27,941
Non-curent assets and disposal groups held for sale	-	-	-	-	-	-	933	933
Total assets	**3,668,502**	**3,457,293**	**3,872,905**	**488,281**	**344,344**	**785,654**	**409,035**	**13,026,014**
Liabilities and shareholders' equity								
Due to banks and other credit institutions	489,701	1,221,858	2,106,910	139,308	222,706	-	-	4,180,483
Derivative financial instruments	86	299	594	-	1,569	6,328	13,782	22,658
Due to customers	6,026,925	364,587	396,616	421,902	41,988	11,095	-	7,263,113
Debt securities in issue	-		207	-	-	-	-	207
Provisions	-	-	-	-	-	-	39,998	39,998
Other liabilities	-	-	-	-	-	-	43,725	43,725
Shareholders' equity	-	-	-	-	-	-	1,475,830	1,475,830
Total liabilities and shareholders' equity	**6,516,712**	**1,586,744**	**2,504,327**	**561,210**	**266,263**	**17,423**	**1,573,335**	**13,026,014**
Interest rate sensitivity gap	**(2,848,210)**	**1,870,549**	**1,368,578**	**(72,929)**	**78,081**	**768,231**	**(1,164,300)**	**-**

NOTE 38 INTEREST RATE RISK (continued)

The Bank's interest rate risk as at 31 December 2013 was as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Assets								
Cash and balances with central banks	482,885	-	-	-	-	-	-	482,885
Due from banks and other credit institutions	880,836	2,656	-	-	-	-	-	883,492
Financial assets held for trading	52	2,332	370	154	22,004	28,594	-	53,506
Financial assets designated at fair value throught profit or loss	-	151,207	351,032	208,081	47,801	57,436	920	816,477
Derivative financial instruments	141	375	84	-	1,209	3,390	7,326	12,525
Loans and advances to customers	1,454,200	3,402,626	3,147,595	374,887	198,374	796,255	-	9,373,937
Investments in subsidiaries	-	-	-	-	-	-	237,756	237,756
Property, plant and equipment	-	-	-	-	-	-	84,984	84,984
Intangible assets	-	-	-	-	-	-	11,758	11,758
Deferred income tax asset	-	-	-	-	-	-	25,804	25,804
Other assets	-	-	-	-	-	-	49,843	49,843
Non-curent assets and disposal groups held for sale	-	-	-	-	-	-	3,544	3,544
Total assets	**2,818,114**	**3,559,196**	**3,499,081**	**583,122**	**269,388**	**885,675**	**421,935**	**12,036,511**
Liabilities and shareholders' equity								
Due to banks and other credit institutions	757,087	1,072,951	2,107,249	139,335	25,896	103,584	-	4,206,102
Derivative financial instruments	94	977	1,298	-	758	3,627	14,470	21,224
Due to customers	4,817,889	503,145	490,753	375,266	44,281	14,244	5,615	6,251,193
Debt securities in issue	-	488	4,229	7,847	900	-	-	13,464
Provisions	-	-	-	-	-	-	49,056	49,056
Other liabilities	-	-	-	-	-	-	41,377	41,377
Shareholders' equity	-	-	-	-	-	-	1,454,095	1,454,095
Total liabilities and shareholders' equity	**5,575,070**	**1,577,561**	**2,603,529**	**522,448**	**71,835**	**121,455**	**1,564,613**	**12,036,511**
Interest rate sensitivity gap	**(2,756,956)**	**1,981,635**	**895,552**	**60,674**	**197,553**	**764,220**	**(1,142,678)**	**-**

NOTE 39 RELATED PARTY TRANSACTIONS

The balances of loans granted by the Group to management and close family members, deposits accepted as at the end of the period are as follows:

	Balances of deposits		Principal of loans outstanding	
	2014	2013	2014	2013
Management of the Group and close family members of management	1,765	3,665	3,941	5,979

In 2014 the total compensations for the Group management approximated LTL 4,054 thousand (in 2013 – LTL 4,351 thousand). In 2014 the total compensations for the Bank's management approximated LTL 2,924 thousand (in 2013 – LTL 3,226 thousand). Key management personnel remuneration mainly consists of short term employee benefits.

The following balances were outstanding with the parent company:

Assets	**2014**	**2013**
Correspondent bank accounts	172,767	40,443
Overnight deposits	-	174,349
Term deposits	207,170	569,754
Derivative financial instruments	10,461	7,313
Other assets	882	146
Receivable	7	32
Liabilities		
Correspondent bank accounts	1,230	701
Overnight deposits	-	2,497
Term deposits	107,138	107,153
Derivative financial instruments	19,580	14,135
Loans	4,005,534	4,006,120
Payable	1,252	1,200
Other liabilities	6	166

Income	**2014**	**2013**
Interest	1,776	2,102
Fee and commission	574	217
Net gain (loss) from foreign exchange	(571)	(239)
Net gain (loss) from operations with financial instruments	203	(17,205)
Other	5	16
Expenses		
Interest	24,914	23,750
Fee and commission	421	167
Other	3,429	5,037

NOTE 39 RELATED PARTY TRANSACTIONS (continued)

The following balances were outstanding with DNB ASA Group companies:

Assets	**2014**	**2013**
Correspondent bank accounts	3,410	3,670
Other assets	2	-
Liabilities		
Correspondent bank accounts	2,598	3,011
Other liabilities	-	1,211

Income	**2014**	**2013**
Interest	-	93
Fee and commission	14	10
Net gain (loss) from foreign exchange	1	(11)
Net gain (loss) from operations with financial instruments	27	840
Other	1	7,923
Expenses		
Interest	6	4,153
Fee and commission	1,067	963
Other	45,471	62,268

From the total other expenses amount stated above the expenses related to the upgrade of the Bank's core IT systems under long term agreement with DnB Baltic IT company as at 31 December 2014 amounted to LTL 45,471 thousand (2013: LTL 62,260 thousand).

The following balances were outstanding on the Bank statement of financial position with subsidiaries:

Assets	**2014**	**2013**
Loans	499,623	469,818
Equity securities	242,227	237,756
Other assets	915	934
Liabilities		
Demand deposits	11,557	3,814
Other liabilities	719	664

The main income/expenses of the Bank from transactions with subsidiaries are as follows:

Income	**2014**	**2013**
Interest	6,922	6,126
Fee and commission	7,638	7,718
Dividends	-	2,787
Other	303	54
Expenses		
Fee and commission	-	115
Other	230	191
Impairment	29,000	-

As at 31 December 2014 the main off-balance sheet commitments (guarantees, commitments to grant loans) with subsidiaries amounted to LTL 556,559 thousand (2013: LTL 579,383 thousand).

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates.

NOTE 40 CONCENTRATION EXPOSURE

According to the regulations approved by the Bank of Lithuania, maximum exposure per one borrower may not exceed 25 per cent or 150 mio EUR of bank's calculated capital. In 2013 and 2014 the Bank complied with the maximum exposure to one borrower requirements set by the Bank of Lithuania. As at 31 December 2014, the largest single exposure comprising loans to several related borrowers treated as a single borrower, not secured by Government guarantees, is 14.75 % of the Bank's calculated capital (2013: 14.52 % respectively).

NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS

According to local legislation the Bank is required to prepare financial group consolidated financial information. Financial group includes the Bank and subsidiaries engaged in financial service activities, that is AB DNB Lizingas and UAB DNB Investicijų Valdymas, UAB Intractus, UAB Geložės projektai and UAB Industrius (in 2013 Financial Group consisted of the Bank and AB DNB Lizingas and UAB DNB Investicijų Valdymas). The change in composition of the financial group was done following the requirements of EU Directive 2013/36/EU and EU Regulation 575/2013. In 2014 Financial group complied with all prudential ratios set by the Bank of Lithuania. Financial group consolidated income statement, statements of comprehensive income, financial position, changes in shareholder's equity and cash flows are presented in this note below:

FINANCIAL GROUP INCOME STATEMENT

	FINANCIAL GROUP		
	2014	**2013 (restated)**	**2013 (as previously reported)**
Interest income	291,482	287,548	290,424
Interest expense	(64,532)	(74,430)	(74,430)
Net interest income	**226,950**	**213,118**	**215,994**
Fee and commission income	126,467	118,749	118,752
Fee and commission expense	(29,451)	(24,867)	(24,867)
Net interest, fee and commission income	**323,966**	**307,000**	**309,879**
Net gain on operations with securities and derivative financial instruments	27,076	(12,206)	(12,206)
Net foreign exchange gain	8,226	41,170	41,170
Impairment losses and provisions	(19,808)	(2,086)	2,608
Other income	21,446	26,115	24,290
Personnel expenses	(101,947)	(114,756)	(113,152)
Depreciation and amortisation	(12,567)	(11,771)	(11,761)
Other administrative expenses	(182,592)	(183,939)	(178,298)
Profit (loss) before income tax	**63,800**	**49,527**	**62,530**
Income tax	(8,036)	(4,332)	(4,332)
Net profit (loss) for the year	**55,764**	**45,195**	**58,198**
Profit (loss) attributable to:			
Equity holders of the parent	55,764	45,195	58,198

NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

THE FINANCIAL GROUP STATEMENT OF COMPREHENSIVE INCOME

	Financial Group		
	2014	**2013 (restated)**	**2013 (as previously reported)**
Profit (loss) for the year	**55,764**	**45,195**	**58,198**
Other comprehensive income (expenses) to be reclassified to profit or loss in subsequent periods:	-	-	-
Other comprehensive income (expenses) not to be reclassified to profit or loss in subsequent periods:	-	-	-
Total comprehensive income (expenses) for the year, net of tax	**55,764**	**45,195**	**58,198**
Atributable to:			
Equity holders of the parent	55,764	45,195	58,198

NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP STATEMENT OF FINANCIAL POSITION

	Financial Group		
	31 December 2014	**31 December 2013 (restated)**	**31 December 2013 (as previously reported)**
ASSETS			
Cash and balances with central banks	1,367,690	482,885	482,885
Due from banks and other credit institutions	490,663	883,492	883,492
Financial assets held for trading	85,145	53,506	53,506
Financial assets designated at fair value through profit or loss	715,761	822,980	822,980
Derivative financial instruments	25,448	12,525	12,525
Loans and advances to customers	9,451,064	8,904,119	9,033,867
Finance lease receivables	391,495	351,657	351,657
Investments in subsidiaries	3,078	3,078	160,323
Investment in an associate	2,042	-	-
Investment property	279,311	227,793	
Property, plant and equipment	91,066	85,220	85,196
Intangible assets	18,173	11,798	11,790
Deferred income tax asset	18,104	25,804	25,804
Other assets	51,775	71,938	69,705
Non-curent assets and disposal groups held for sale	13,087	40,105	3,544
Total assets	**13,003,902**	**11,976,900**	**11,997,274**
LIABILITIES AND EQUITY			
Due to banks and other credit institutions	4,180,483	4,206,102	4,206,102
Derivative financial instruments	22,658	21,224	21,224
Due to customers	7,254,158	6,249,283	6,249,706
Debt securities in issue	207	13,464	13,464
Provisions	4,710	4,586	4,586
Other liabilities	51,943	48,262	45,433
Total liabilities	**11,514,159**	**10,542,921**	**10,540,515**
Equity attributable to equity holders of parent			
Ordinary shares	656,665	656,665	656,665
Share premium	282,929	282,929	282,929
Retained earnings	172,820	124,286	147,066
Reserves	377,329	370,099	370,099
	1,489,743	1,433,979	1,456,759
Total equity	**1,489,743**	**1,433,979**	**1,456,759**
Total liabilities and equity	**13,003,902**	**11,976,900**	**11,997,274**

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NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP STATEMENT OF CHANGES IN EQUITY

	Issued shares	Share premium	Manda-tory reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2013 (restated)	**656,665**	**282,929**	**393**	**365,101**	**83,696**	**1,388,784**
Total comprehensive income	-	-	-	-	45,195	45,195
Transfer to mandatory reserve	-	-	4,605	-	(4,605)	-
Balance at 31 December 2013 (restated)	**656,665**	**282,929**	**4,998**	**365,101**	**124,286**	**1,433,979**
Total comprehensive income	-	-	-	-	55,764	55,764
Transfer to mandatory reserve	-	-	7,230	-	(7,230)	-
Balance at 31 December 2014	**656,665**	**282,929**	**12,228**	**365,101**	**172,820**	**1,489,743**

	Issued shares	Share premium	Manda-tory reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2013 (as previously reported)	**656,665**	**282,929**	**393**	**365,101**	**93,473**	**1,398,561**
Total comprehensive income	-	-	-	-	58,198	58,198
Transfer to mandatory reserve	-	-	4,605	-	(4,605)	-
Balance at 31 December 2013 (as previously reported)	**656,665**	**282,929**	**4,998**	**365,101**	**147,066**	**1,456,759**
Total comprehensive income	-	-	-	-	55,764	55,764
Change of the composition of the financial group	-	-	-	-	(22,780)	(22,780)
Transfer to mandatory reserve	-	-	7,230	-	(7,230)	-
Balance at 31 December 2014	**656,665**	**282,929**	**12,228**	**365,101**	**172,820**	**1,489,743**

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(all amounts are in LTL thousand, if not otherwise stated)

NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP STATEMENT OF CASH FLOWS

	Financial Group		
	31 December 2014	31 December 2013 (restated)	31 December 2013 (as previously reported)
Operating activities			
Interest receipts	264,603	267,489	270,431
Interest payments	(58,680)	(81,009)	(81,036)
Collected previously written-off loans	8,087	4,990	4,990
Net receipt from FX trading and operations in securities	33,855	11,660	11,660
Fee and commission receipt	126,467	118,749	118,752
Fee and commission payments	(29,451)	(24,867)	(24,867)
Salaries and related payments	(101,931)	(113,684)	(112,146)
Other payments	(161,146)	(157,650)	(154,024)
Net cash flow from operating activities before changes in operating assets and liabilities	**81,804**	**25,678**	**33,760**
(Increase) decrease in operating assets:			
(Increase) decrease in loans to credit and financial institutions	360,280	263,894	263,894
(Increase) decrease in loans granted	(565,894)	(355,009)	(366,408)
Purchase of trading securities	(5,496,496)	(2,800,606)	(2,800,606)
Proceeds from trading securities	5,468,577	2,800,358	2,800,358
Decrease in other assets	(61,380)	(49,657)	(48,192)
Change in operating assets	**(294,913)**	**(141,020)**	**(150,954)**
Increase (decrease) in operating liabilities:			
Increase (decrease) in liabilities to credit and financial institutions	(21,208)	103,981	103,981
Increase in deposits	1,002,674	370,538	371,588
Increase (decrease) in other liabilities	(3,516)	2,705	3,494
Change in operating liabilities	**977,950**	**477,224**	**479,063**
Income tax paid	**(380)**	**-**	**-**
Net cash flows from operating activities	**764,461**	**361,882**	**361,869**
Investing activities			
Acquisition of property, plant , equipment and intangible assets	(28,440)	(10,488)	(10,475)
Disposal of property, plant, equipment and intangible assets	9	72	72
Purchase of securities	(630,437)	(1,180,105)	(1,180,105)
Proceeds from securities	744,067	981,116	981,116
Dividends received	58	11	11
Interest received	3,728	6,296	6,296
Net cash flows from investing activities	**88,985**	**(203,098)**	**(203,085)**
Financing activities			
Own debt securities redemption	(11,996)	(56,730)	(56,730)
Interest paid	(309)	(2,719)	(2,719)
Repaid subordinatad loans	-	-	-
Net cash flows from financing activities	**(12,305)**	**(59,449)**	**(59,449)**
Net increase in cash and cash equivalents	**841,141**	**99,335**	**99,335**
Net foreign exchange difference on cash and cash equivalents	11,158	(24,420)	(24,420)
Cash and cash equivalents at 1 January	**745,490**	**670,575**	**670,575**
Cash and cash equivalents as at 31 December	**1,597,789**	**745,490**	**745,490**

NOTE 42 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

1 January 2015 is the day of Euro adoption in Lithuania, thus on this day the functional currency of the Group will be converted. According to irrevocable decision of the European Council the Litas to Euro conversion rate will be 3.45280 LTL for 1 EUR.