



Supervision Service of the Bank of Lithuania

24 03 2014

Annual confirmation of responsible persons

This confirmation of responsible persons regarding consolidated annual report, separate and consolidated financial statements of AB DNB Bankas for the year ended 31 December 2013 are provided following Law of Republic of Lithuania on securities, dated 18 January 2007 and Lithuanian Bank Management Board resolution No.03-48 on rules of disclosure and submission of periodic and additional information, dated 28 February 2013.

We, responsible persons, confirm that to the best of our knowledge, provided separate and consolidated financial statements are prepared in accordance with International Financial Reporting standards, gives a true and fair view of the assets, liabilities, financial position, profit and cash flows of the Bank and consolidated subsidiaries, as well as the consolidated annual report includes a fair review of the development and performance of the business, a state of the Bank and consolidated subsidiaries together with a description of main risks and uncertainties that are being faced.

President

Bjornar Lund

Chief Accountant

Jurgita Šaučiūnienė

— AB DNB bankas

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Duomenys kaupiami ir saugomi
Juridinių asmenų registre



DNB

AB DNB Bankas

**CONSOLIDATED ANNUAL REPORT,
SEPARATE AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31
DECEMBER 2013**

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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 46 - 131 and comprise the statements of financial position as at 31 December 2013, 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 46 - 131, present fairly, in all material respects, the financial position of AB DNB Bankas and the Group as at 31 December 2013, 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 2013, presented on pages 4 - 45, and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2013.

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



Jonas Akelis
Auditor's licence
No. 000003

AB DNB BANKAS' GROUP CONSOLIDATED 2013 ANNUAL REPORT

1. REPORTING PERIOD COVERED BY THIS REPORT

This Consolidated Annual Report covers the period from 1 January 2013 to 31 December 2013.

2. THE ISSUER AND ITS CONTACT DETAILS

Name of the Issuer	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 OF THE ISSUER

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.

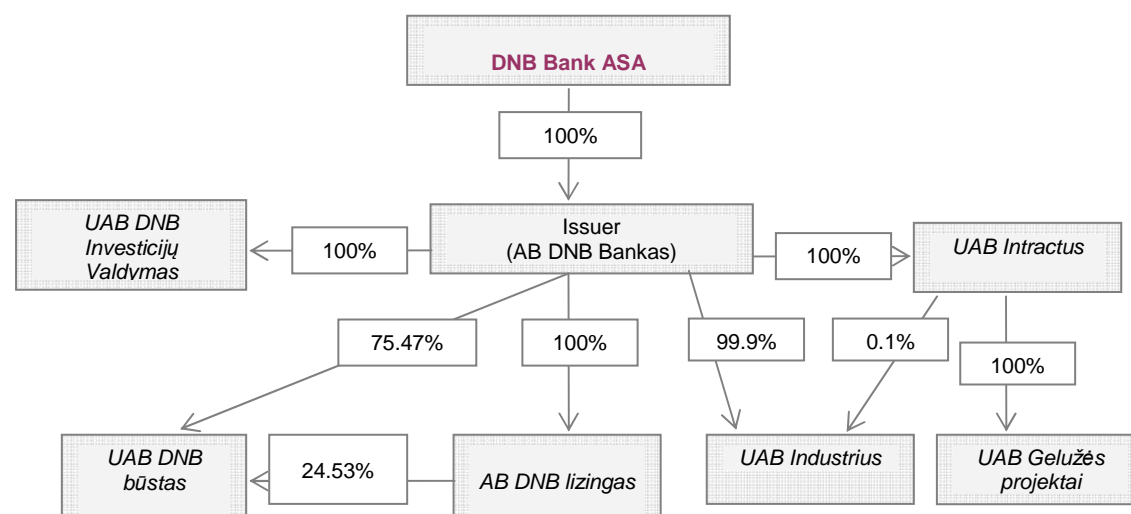
The Bank shall provide the following financial services:

- 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 OF THE ISSUER AND THE GROUP

On 31 December 2013 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 Industrious*, *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.



AB DNB Bankas provided financial services to its customers in 70 branches across Lithuania as at the end of 2013.

5. STRUCTURE OF THE AUTHORIZED CAPITAL

On 31 December 2013 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 2013 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 2013.

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 Issuer's 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 it's shares and voting rights.

6. SHAREHOLDERS

On 31 December 2013 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
<i>DNB Bank ASA</i>	Dronning Eufemias gate 30, 0191 Oslo, Norway	Bank	984851006MVA	5,710,134	100	0

The shareholders of the Issuer shall have the following property rights:

- To receive a share of the profit of the Bank (dividend);
- To receive funds of the Issuer if the authorized capital of the Issuer is decreased on purpose to disburse funds of the Issuer to the shareholders;
- To receive a share of the assets of the Issuer 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 the Issuer in the manner prescribed in laws; however, when borrowing from its shareholders, the Issuer shall not pledge its assets to the shareholders. When the Issuer 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 the Issuer and the shareholders shall be prohibited from negotiating a higher interest rate;
- Other property rights stipulated in laws.

The shareholders of the Issuer 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.

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

The shareholders of the Issuer shall not have special control rights. No Issuer's restrictions shall apply to the voting rights of the shareholders of the Issuer.

The Issuer 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 2013 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 2013 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 2013 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

Shares of *AB DNB Bankas* or of the other companies of the Group are not traded on regulated markets.

As of 31 December 2013 the following debt securities of *AB DNB Bankas* were listed on regulated markets:

Name of securities (ISIN code)	Name in regulated market	Number of securities	Nominal value per unit	Aggregate nominal value	Maturity
Fixed rate notes issue No. 05/2015 (LT0000405052)	NASDAQ OMX Vilnius Stock Exchange list of debt securities	150,000	100 (LTL)	15,000,000 (LTL)	2015-05-07

The Issuer is engaged in public trading brokerage activities; relevant transactions are performed by the Markets Department of the Bank.

9. MAIN CHARACTERISTICS OF DEBT SECURITIES ISSUED FOR PUBLIC TRADING

As of 31 December 2013 the par value of debt securities issued by *AB DNB Bankas* for public trading constituted LTL 29.76 million.

All Issuer's debt securities for public trading were made available for public trading during the issues. No restrictions apply to those securities as to their negotiability. All these securities are non-convertible.

The main characteristics of the debt securities issued by the Issuer are provided in Annex 1 of this Consolidated 2013 Annual Report.

10. INFORMATION ON RELEVANT AGREEMENTS WITH RELATED PARTIES

Information on relevant transactions with related parties are provided in Note 39 of the consolidated 2013 financial statements.

11. MATERIAL EVENTS OVER THE REPORTING PERIOD

Material events of *AB DNB Bankas* that took place in the full year 2013:

On 7 February 2013 *AB DNB Bankas* notified that according to preliminary unaudited data calculated in accordance with the international financial reporting standards *AB DNB Bankas* earned a net profit of LTL 88.4 million (EUR 25.6 million) in the full year 2012. Net profit of *AB DNB Bankas* group in the full year 2012 was LTL 80.4 million (EUR 23.3 million). In the full year 2011 net profit of *AB DNB Bankas* was LTL 81.0 million (EUR 23.5 million). *AB DNB Bankas* group net profit was LTL 74.3 million (EUR 21.5 million).

On 1 March 2013 *AB DNB Bankas* notified that after the resignation of Margrethe Melbye Gronn and Olaf Tronsgaard from the position of the members of the Supervisory Council on 26 February 2013, on 1 March 2013 based on the decision of the bank's sole shareholder – Norway's *DNB Bank ASA* – Leif Rene Hansen was elected as a member of the Supervisory Council of *AB DNB Bankas* until the expiry of term of office of the current Supervisory Council.

On 26 March 2013 *AB DNB Bankas* presented 2012 financial statements that include 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 26 March 2013. The audited results of *AB DNB Bankas* for the full year 2012 did not differ from the previously reported preliminary data.

On 26 March 2013 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 2012.

2. approved distribution of the profit (loss) of the Bank. It was decided to allocate the 2012 net result of LTL 88.43 million (EUR 25.61 million) to the distributable profit of the Bank equal to LTL 92.09 million (EUR 26.67 million). LTL 4.61 million (EUR 1.34 million) from the distributable profit shall be allocated to the obligatory reserve. The remaining part of the retained earnings of LTL 87.49 million (EUR 25.34million) shall be transferred to the next financial year.

3. elected close stock company „Ernst & Young Baltic“ as an audit firm to perform audit of the annual financial statements of the Bank for the year 2013 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. approved the following amendments to the Bylaws of the Bank:

4.1. the section 11.2 of the Bylaws of the Bank shall read as follows:

„11.2. The Credit Committee seeks to improve the overall quality of the credit risk management in the Bank, to ensure objective evaluation of the credit risk in decision making when this is related to a significant credit exposure and also performs other functions stipulated in the regulations thereof.”

4.2. the amendment to the section 11.3 of the Bylaws of the Bank shall read as follows:

"11.3. The Risk Management Committee seeks to ensure the efficiency of the Bank's capital structuring, risk management and control, to optimize the structure of the Bank's assets, liabilities and capital in view of the acceptable risk criteria and profitability, and also performs other functions stipulated in the regulations thereof."

On 8 April 2013 the amended Bylaws of *AB DNB Bankas* were registered with the Register of the Legal Entities. The Bylaws were amended in line with the decision of the sole shareholder of the Bank – *DNB Bank ASA* – as of 26 March 2013. The following amendments to the Bylaws were made:

1. the Section 11.2 of the Bylaws of the Bank reads as follows:

"11.2. The Credit Committee seeks to improve the overall quality of the credit risk management in the Bank, to ensure objective evaluation of the credit risk in decision making when this is related to a significant credit exposure and also performs other functions stipulated in the regulations thereof."

2. the Section 11.3 of the Bylaws of the Bank reads as follows:

"11.3. The Risk Management Committee seeks to ensure the efficiency of the Bank's capital structuring, risk management and control, to optimize the structure of the Bank's assets, liabilities and capital in view of the acceptable risk criteria and profitability, and also performs other functions stipulated in the regulations thereof."

On 26 April 2013 *AB DNB Bankas* notified that according to preliminary unaudited data calculated in accordance with the international financial reporting standards *AB DNB Bankas* earned LTL 13.3 million (EUR 3.85 million) net profit in the first quarter of 2013. In the first quarter of 2012 *AB DNB Bankas* net profit was LTL 21.7 million (EUR 6.3 million).

On 11 July 2013 *AB DNB Bankas* notified that according to preliminary unaudited data calculated in accordance to the International financial reporting standards, *AB DNB Bankas* earned LTL 25.5 million (EUR 7.4 million) net profit in the first six months of 2013. In the first six months of 2012 *AB DNB Bankas* net profit was LTL 55.3 million (EUR 16.0 million).

On 24 October 2013 *AB DNB Bankas* notified that according to preliminary unaudited data calculated in accordance to the International financial reporting standards, *AB DNB Bankas* earned LTL 36.37 million (EUR 10.53 million) net profit in the first nine months of 2013. In the first nine months of 2012 *AB DNB Bankas* net profit was LTL 75.98 million (EUR 22.01 million).

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 ELTA and is available on the Bank's website www.dnb.lt.

12. INFORMATION ON PERFORMANCE RESULTS

AB DNB Bankas' group operated profitably and further strengthened its position in main business areas in the full year 2013 – its private and corporate loan portfolio had increased, the Bank's share on the country's mortgage loans market had risen and over a third of the start-up businesses registered in the reporting year chose DNB as their home bank. The Group's individual and corporate customers' deposit portfolios had also increased and the loan losses came lower compared to the economic cycle average. It is particularly positive that in line with growing economy better economic sentiment of private individuals and businesses lifted higher demand for financial services, mortgage and investment credits also affecting positively customer risks and providing strong foothold for profitable operations of the Group going forward.

In 2013 *AB DNB Bankas* signed new credit contracts worth LTL 2.4 billion, LTL 273 million more compared to the previous year. As a result the Group's net loan portfolio rose 4.4 percent year-on-year to LTL 8.9 billion. The Group's net loan portfolio to individuals rose 4.1 percent year on year while the net loan portfolio to legal entities increased 4.0 percent within the period.

With a number of customers increasing, the Bank's deposit portfolio rose 6.3 percent year-on-year to LTL 6.3 billion as at the end of 2013. This resulted from the growth in the number of individual and corporate customers that rose by 49 thousand over the year. As of the end of December 2013 *AB DNB Bankas' group* provided comprehensive range of financial services to 826 thousand customers, the factor that also contributed positively to the Group's non-lending income growth.

The Group's assets rose 3.9 percent year-on-year to LTL 12.0 billion as of 31 December 2013.

In 2013 the net income (net interest income, net fees and commission, net profit (loss) from operation with securities and derivatives, net foreign exchange result and other income) of *AB DNB Bankas' group* was LTL 364.1 million. The largest relative weight – 58.5 percent – of the operating income fell on the net interest income. As the market rates remained at record lows, the net interest income in the full year 2013 was 11.8 percent lower compared to the same period the year before. The main increase of net foreign exchange income was due to matured derivative contracts. The Group's net commission income for the services rendered to customers rose by 16.8 percent within the same period.

The Group's operating and other expenses made LTL 312.0 million in 2013. They increased by LTL 56.8 million compared to the same period a year ago, LTL 50.8 million of it were related to upgrades of the Bank's core information systems. That investment provides solid technological foothold for sustainable growth of the Group in the long-term perspective. Looking into 2014 it is estimated that the level of the Group's operating expenses will be affected by undertakings to get ready the Group for introduction of euro as national currency in Lithuania and the planned investments into further development of multi channel customer service network as well as its higher functionality and availability.

With the economy returning to the sustained growth path the Group's customer risks declined further. In 2013 the Group set aside LTL 2.1 million for special provisions, down from LTL 43.1 million allocated for the purpose in the same period the year before.

As the result, the Bank's net profit in the full year 2013 was LTL 57.1 million and the Group's net profit was LTL 45.6 million. The year before the Bank's net profit was LTL 88.4 million and the Group's net profit was LTL 80.4 million. The profit for the period was mainly affected by the expenses related to the upgrade of the Bank's core IT systems and lower lending income due to the low rate environment.

As of 31 December 2013 the Group's return on equity (ROE) was 3.2 percent and its cost/income ratio (CIR) was 85.7 percent.

Year	2010		2011		2012		2013	
	Group	Bank	Group	Bank	Group	Bank	Group	Bank
Return on equity (percent)	-13.5	-14.7	6.8	7.5	6.0	6.5	3.2	4.0
Cost/income ratio (percent)	61.5	57.0	53.6	52.9	67.4	66.4	85.7	84.9

As at the end of the reporting period *AB DNB Bankas*' group provided comprehensive range of financial services to its customers via 70 country-wide branch network. Due to changing customer behavioral patterns the Bank had assessed the efficiency and potential of each of its physical outlets closing eight least efficient branches during the reporting year. In parallel the Bank developed its ATM network installing new ATMs with cash deposit function. Therefore at the end of 2013 the Group's customers could use this convenient self-service option at 22 places across the country, eight of them operating in 24/7 self service zones. Going forward the Bank plans to continue investments in its new cash-in ATMs network installing them primarily at locations where the service is under the highest customer demand.

In 2013 the Group's customers could use the country's largest ATM network that embraces 541 ATMs (DNB (185) and SEB (356) in 78 cities and towns thanks 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 1 500 terminals of UAB "Perlo paslaugos" across the country. This service was particularly convenient to customers in places where there was no banking outlet, ATM or at weekends and at off office hours.

In 2013 the Bank issued 98.9 thousand new payment cards to its customers and at the end of December the number of outstanding cards issued by the Bank topped 531 thousand. The total turnover on the payment cards rose by over 12 percent year on year to LTL 5.5 billion as of 31 December 2013.

To develop its payment cards business the Bank continued to expand its acquiring network. New agreements with more than 600 merchants in the reporting year were signed increasing the network of payment card acquiring to 3 074 POS as of 31 December 2013. The Group's turnover in payment card acquiring business rose to LTL 388.2 million in the full year 2013 from LTL 247.7 million at the end of the previous year.

The number of customers using *AB DNB Bankas* internet bank rose 13.3 percent year-on-year to 606 thousand as at 31 December 2013. In the full year 94.1 percent of all money transfers were executed via internet banking channels of *AB DNB Bankas*. That compares to 93.1 percent the year before.

To ensure high quality of its financial services *AB DNB Bankas* continued to perform the "Mystery Shopping" and customer satisfaction surveys in 2013. The surveys carried out among individual and corporate customers have been measuring service quality and customer satisfaction in different aspects - from general service quality up to functionality of individual products. The latest survey carried out by EPSI Baltic research company in all three Baltic countries showed that DNB customer service quality continued to be among the top in the sector in the reporting year. The surveys help the Group to identify its strengths and set priority actions for further improvement therefore it is planned to continue the research going forward.

AB DNB Bankas' group that cherishes long-term relationships, has met all of its obligations to its social partners including sponsorship for the national men's basketball team for the 11th year running demonstrating that it is a reliable partner both in business and the community life.

Retail banking

The Bank rendered the following range of services to individual customers: bank accounts in litas and foreign currencies, term deposits in litas and foreign currencies, mortgage loans, consumer credits, private credits, local and international transfers, payment cards of MasterCard and VISA international organizations), cash exchange services, cash operations, rent of individual safe-deposit boxes, financial brokerage services, electronic banking services, leasing services, and investment products. In line with changing customer needs the Bank extended the range of its financial services provided by the Contact centre over the phone. Therefore in the reporting year the customers of the Bank could open or terminate their term deposit agreements, enter direct debit, standing order contracts, book SMS banking service or cards' insurance agreements. That means the customer does not have to go to the Bank and the financial consultants in branches spend more time on face-to face consultations or higher value added services.

To increase the number of new and existing individual customers who use DNB as their home bank and encourage them to use various banking services more actively during 2013 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. As a result the number of individual customers of *AB DNB Bankas* rose by 43 thousand to 759 thousand at the end of the year.

Pursuing responsible lending practices *AB DNB Bankas* upgraded its mortgage loan program "Your first home" in the reporting year. The programme provides an option to the Bank's customers to repay the entire credit or part of it early free of charge or defer a

monthly payment of credit principal if need be. Due to the active presentation of the programme to customers and its competitive terms *AB DNB Bankas* ended the reporting year among the country's top new mortgage loan providers in the market.

Facilitating rational financial behavior the Bank launched a specially designed savings campaign "Sign agreement with yourself" in the reporting year. As a result a markedly higher number of customers chose to save on regular basis, the initiative also contributing positively to the growth of the Bank's deposit portfolio.

Pursuing its segment strategy *AB DNB Bankas* continued to upgrade its specially designed UP programme for life beginners. To facilitate their first steps in the independent life the Bank presented them a useful advice book "Deposits and zippers" free of charge. The Bank extended credit cards to full-time students and together with its partners was an active participant in "Runaway for your career" events. The Bank continued to provide special offers for academic youth after launching a "Successful student" package. The Bank extended credits to finance their studies under very competitive terms. The cooperation agreement with the Lithuania's students' union also added to the Bank's range of services provided to the segment.

To provide customers with 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. As a result of active sales of insurance services more than 30 percent of new mortgage takers of *AB DNB Bankas* were insured with life insurance in the reporting year. New mortgage takers also were offered to insure their assets. In 2013 over 80 percent of new consumer credit takers in *AB DNB Bankas* were insured with life insurance. 28 percent of the Bank's payment cards were insured as at the end of 2013.

Corporate banking

The Bank maintained its strong position in corporate banking sector in the full year 2013 due to its long-term constructive relationships with its customers, flexible decision making and constant focus on service quality. Alongside with the increasing number of corporate customers who chose DNB as their home bank, the number of the Bank's corporate customers rose by 6 thousand to 67.1 thousand as at the end of 2013. This clearly indicated the efficiency of the Bank's customer centric business model.

At the beginning of 2013 *DNB Bankas* changed the organizational set up of its corporate banking service teaming together different competences with focused on deeper specialization in various industries also strengthening further the credit risk management. Common large corporates service concept was set up in all DNB banks across three Baltic countries aimed at achieving the highest level of customer satisfaction with the group's services. The year 2013 was also successful for the Bank in terms of providing cash management services to large corporate customers. New services – Nord Pool Spot electricity market trading account for corporate clients and Integrated payment solution (gateway) that was launch in the reporting year added to the Bank's competitive edge and attractiveness among customers also affecting positively the Group's net fees and commission income.

Stable operating environment and better economic sentiment of businesses prompted higher demand for financial services and investment credits for business expansion in 2013. As a result the Group's net loan portfolio to corporate customers rose 4.0 percent year-on-year to LTL 4.8 billion. The Bank's loan portfolio to the electricity, gas and water supply, public industries as well as agriculture and food manufacturing activities increased the most during the year while the credit portfolio to construction sector was lower compared to the previous year.

In the reporting period *AB DNB Bankas* continued to pay prime attention to small and medium size enterprises (SMEs) by offering them solutions designed to meet their specific needs. *AB DNB Bankas* had developed a special on-line application "Establish Your Business" that was actively used by people who were planning to establish their new business. An option to register a new company and form its authorized capital online, active work in branches and via contact centre, close cooperation with partners provided that 36.9 percent of all newly registered companies in the full year 2013 chose DNB as their financial partner. For investment credit takers the Bank also offered a unique option to postpone a credit principal installment once a year. The Bank's relationships with SME segment were positively affected by allocation of a personal relationship manager to each SME customer who was charged to maintain long-term relationship with them.

The agriculture and food processing sectors remained among the most important segments to *AB DNB Bankas*, and financing to farmers and agricultural enterprises for working capital and investments had increased. The Bank continued close co-operation with the state agricultural credit fund UAB „Žemės ūkio paskolų garantijos fondas“, extending credits secured by guarantees of this state institution. In the reporting period the Bank continued cooperation with partners trading goods for agricultural sector embedding more favorable financing terms to farmers, agricultural companies and other enterprises purchasing products from these partners. The major advantage of these programmes was that farmers would enjoy interest-free financing without collateral as the credits were backed by guarantees of the state rural credit guarantee fund while the seller of the production would pay the interest on the credit to the Bank. To extend its product line in the year 2013 *AB DNB Bankas* started granting collateral free credit to breeding and dairy farms' working capital.

During the reporting year the Bank continued cooperation with UAB „Investicijų ir verslo garantijos“ and extended micro credits and loans backed by guarantees of this state institution.

The Bank, in cooperation with leasing and investment management subsidiaries, offered corporate customers a variety of solutions that meet the borrowing, investment and settlement needs of companies. Favorable offers were made not only for businesses but also for employees of corporate customers.

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 2013, 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 2013 exceeded LTL 17.1 billion and generated LTL 11.3 million income for the Bank.

Securities brokerage income of the Group made LTL 7.0 million on turnover of over LTL 8.0 billion in 2013.

The turnover through DNB Trade™ on-line platform was LTL 74 billion and generated LTL 2.7 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 2013 AB DNB Bankas owned the following subsidiaries: *UAB DNB Investicijų Valdymas*, *AB DNB Lizingas*, *UAB DNB Būstas*, *UAB Industrias* 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. By the end of 2013 *UAB DNB Investicijų Valdymas* managed three II pillar pension funds, three III pillar pension funds and two investment funds.

At the end of 2013 assets under management of *UAB DNB Investicijų Valdymas* made LTL 597.7 million. The amount remained almost the same compared to the same period a year ago, despite the fact that in the middle of 2013 one portfolio management agreement with one legal entity had matured and LTL 85 million were repaid back to the client. Other assets, including II pillar pension and investment funds, increased by LTL 82.1 million during 2013.

Results of funds under management during 2013:

Title of the fund	Basics of investment strategy	Change in unit value during 2013	Benchmark index in 2013
Second pillar pension funds			
DNB pensija 1	Government debt securities	1.30%	2.32%
DNB pensija 2	Equity securities up to 25%	3.51%	4.25%
DNB pensija 3	Equity securities up to 50%	6.70%	6.16%
Third pillar pension funds			
DNB papildoma konservatyvi pensija*	Equity 0%	-0.58%*	-
DNB papildoma pensija	Equity securities up to 50%	5.14%	6.16%
DNB papildoma pensija 100	Equity securities up to 100%	11.87%	10.29%
Investment funds			
DNB Liquidity fund	Short-term debt securities and deposits	0.17%	0.14%
DNB Equity fund of funds	Equity fund	12.74%	10.29%

*From October 7th 2013

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 401.6 million recording 10.0 percent growth compared to the year-start. The company's leasing portfolio to private individuals rose 21.1 percent over the reporting period to LTL 40.1 million. Leasing portfolio for legal entities increased by 8.8 percent compared to the year-start and was LTL 361.5 million at the end of December.

Responding to the market trend *AB DNB Lizingas* continued to focus on its portfolio quality, credit risk management, and further improvement of customer service quality and increase of new sales during the reporting period.

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 2013 *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 in the company was owned by the Bank's subsidiary *AB DNB Lizingas*.

UAB DNB Būstas carried out its activities in Vilnius, Kaunas, Klaipėda, Palanga, Šiauliai, Mažeikiai, Akmenė, Skuodas and the surrounding regions in 2013. At the end of the reporting period three real estate brokerage companies and 56 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 newly constructed residential segment and was among the largest real estate brokerage companies in terms of sales and number of listings.

In 2013 *UAB DNB Būstas* revenues rose to LTL 3 million compared to LTL 2.1 million the year before. *UAB DNB Būstas* brokers intermediated in real estate assets sales worth LTL 196 million during the reporting period.

UAB Intractus

Name	UAB <i>Intractus</i>
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 2013 AB *DNB Bankas* was the sole shareholder of *UAB Intractus* with a registered authorized share capital of LTL 117 036 100.

The real estate assets on the *UAB Intractus*' consolidated statement of the financial position were LTL 213 million as of 31 December 2013 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 24.9 million as at the end of the reporting period. *UAB Gėlužės projektai* develops one project.

On 31 December 2013 *UAB Intractus* owned 0.1 percent of *UAB Industrious* (company code 302593805) registered shares.

UAB Industrious

Name	UAB <i>Industrious</i>
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 Industrious* is a limited liability company set up for efficient management of foreclosed real estate assets marked not for further development status. On 31 December 2013 *UAB Industrious*' authorized capital was LTL 40 249 000 AB *DNB Bankas* owned 99.9 percent of *UAB Industrious* ordinary registered shares and 0.1 percent of the company's shares were owned by the Bank's subsidiary *UAB Intractus*.

At the reporting date *UAB Industrious* real estate assets on the balance sheet was LTL 46 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 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* 2013 consolidated financial statements. The risk management principles have not changed significantly during the reporting period. The risk management processes were further improved with the aim to implement practice applied by the parent bank *DNB Bank ASA*.

As a result of pursuing the appropriate risk management policy over the reporting period the Bank and the Group were compliant with all prudential requirements set by the Bank of Lithuania.

Information about the Bank's and the Group's compliance with prudential requirements:

31 December 2013 (per cent)

Ratio	Bank	Group
Liquidity	39.04	39.79
Capital adequacy	15.41	16.67
Overall open position	0.26	0.40
Maximum position in one currency (LVL)	0.18	0.17
Maximum exposure to one borrower	14.52	13.95
< = 25 per cent		
< = 75 per cent (for subsidiaries)	52.54	-
Liquidity buffer covers net funding gap under stressed market conditions according to possible scenario during the survival period (expressed as the number of times)	3.27	5.33

The duly established and regulated control function is operating in the Bank. 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 units. The compliance function is performed by the compliance and the internal audit function – by the Internal Audit Department. Each control function periodically submits reports to the management of the Bank and the shareholder *DNB Bank ASA*.

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

AB DNB Bankas continues implementation of its three year Building the future strategy started in 2012. The strategy is 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 rather than product development or market share growth alone.

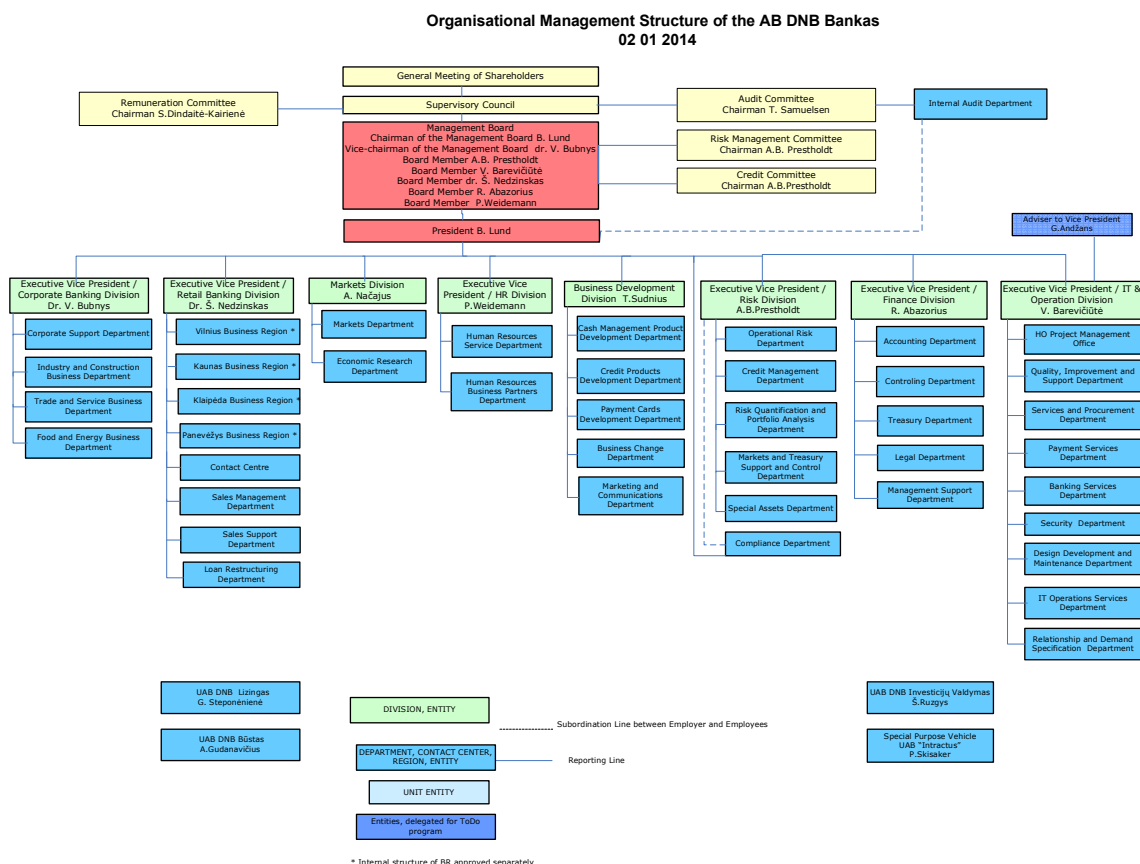
For its customers *AB DNB Bankas* aims to be present and attentive, offer competitive prices, attractive products and be responsive and clear. This is aimed at to achieve a balanced growth of the customer portfolios and a higher penetration of all banking products and services. The strategy stipulates 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, socially responsible, educating people in financial and banking issues.

17. INVESTMENTS

Investments into property, plant, equipment and intangible assets done during the 2013 are described in notes 21 and 23 of 2013 consolidated financial statements.

18. ORGANIZATIONAL MANAGEMENT STRUCTURE OF THE ISSUER



No relevant changes to the organizational management structure were planned during the period of preparation of this report.

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 Issuer:

- amends the Bylaws of the Issuer, 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 Issuer;
- 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 Issuer'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 Issuer;
- adopts the decision to liquidate the Issuer, to cancel the liquidation of the Issuer, except in the events stipulated in laws;

- adopts the decision to elect and remove the liquidator of the Issuer, 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 Issuer according to laws or the Bylaws of the Issuer 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 Issuer to decide.

The Supervisory Council of the Issuer shall be a collegial supervisory body supervising the operation of the Issuer. 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 Issuer, 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 Issuer;
- ensures the existence of the effective internal control system in the Issuer;
- 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 Issuer;
- 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 Issuer 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 Issuer 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 Issuer;
- 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 Issuer to become a founder, a member of other legal persons;
- the decisions to establish branches, representative offices and other individual outlets of the Issuer 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 Issuer;
- the decisions on the acquisition of the fixed assets for the price above 1/20 of the authorised capital of the Issuer;
- 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 Issuer.

The Management Board shall establish:

- the terms and conditions of the share issue of the Issuer;
- the procedure for the issuing of bonds of the Issuer. 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 Issuer 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 Issuer;
- the organisation of the business of the Issuer;
- 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 Issuer 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 Issuer. The President shall act as follows:

- organise the daily operation of the Issuer;
- 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 arbitration 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 Issuer;
- 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 Issuer to the administrator of the register of legal persons;
- for the submission of the documents to the Securities Commission 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 Issuer;
- 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 Issuer 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 Issuer.

20. SUPERVISORY COUNCIL

According to the Bylaws the Supervisory Council of *AB DNB Bankas* consists of five members. As of 31 December 2013 the Supervisory Council consisted of four members. The term of office of the existing Supervisory Council expires on 18 March 2014.

In 2013 the following changes took place in the Bank's Supervisory Council:

- On 1 March 2013 Leif Rene Hansen was elected to the Supervisory Council, after Margrethe Melbye Gronn and Olaf Tronsgaard resigned from the positions of members of the Supervisory Council on 26 February 2013.

Four 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	01 03 2011	18 03 2014	Trondheim 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	18 03 2010	18 03 2014	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	11 12 2012	18 03 2014	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); <i>DNB Bank</i> ASA senior credit officer (since 2012)
Leif Rene Hansen	Member of the Supervisory Council	01 03 2013	18 03 2014	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. All members of the Management Board were appointed until the end of the term of office of the Bank's Supervisory Council that expires on 18 March 2014.

No changes in the composition of the Bank's Management Board took place in 2013.

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	06 05 2011	18 03 2014	Norwegian School of management, economist	DnB NOR Bank ASA, various positions (1987 – 2011)
Dr. Vygintas Bubnys	Vice-chairman of the Management Board, Executive Vice-president	18 03 2010	18 03 2014	Vilnius University, PhD, Economist-mathematician	AB Lietuvos Taupomasis Bankas, Chairman of the Management Board (1991 – 1997); FBC Balticum Managament, Advisor, Deputy Manager, Manager (1997-2000); AB Lietuvos Žemės ūkio Bankas, Advisor to the Chairman of the Management Board (2000-2002); AB Lietuvos žemės ūkio bankas (later AB bankas NORD/LB Lietuva), member of the Management Board (2002-2003); AB bankas NORD/LB Lietuva, (later AB DnB NORD bankas), vice-chairman of the Management Board (since 2003)

Ramūnas Abazorius	Member of the Management Board, Executive Vice-president	18 03 2010	18 03 2014	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	18 03 2010	18 03 2014	Vilnius University, Diploma in Economics; Vytautas Magnus University, MBA, 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 FMJ 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	01 07 2011	18 03 2014	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 Prestholdt	Member of the Management Board, Executive Vice-president	01 02 2012	18 03 2014	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)
Per Weidemann	Member of the Management Board, Executive Vice-president	01 08 2012	18 03 2014	Oslo Business school, Master of business administration and marketing	DNB Bank ASA senior relationship manager (1994 – 2008); DNB Bank ASA senior vice president (2008-2011); AB DNB bankas, advisor to the president (2012)

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.

Bjørnar 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 Vilnius 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 OF THE ISSUER

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.

On 4 March 2013 the Supervisory Council of the Bank appointed Eline Skramstad as a new member of the Internal audit committee. She replaced Margrethe Melbye Grønn in that position.

In 2013 four meetings of the Bank's internal audit committee were held.

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*.

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

Vice-chairman

Members

Anne Birgitte Prestholdt, Executive Vice president of the Bank.

Ramūnas Abazorius, Executive Vice-president of the Bank.

Dr. Šarūnas Nedzinskas, Executive Vice-president of the Bank.

Dalius Darulis, Manager of the Food and Energy Business Center

Andrius Načajus, Manager of the Markets Division;

Mantas Gikys, Manager of the Treasury Unit;

Michail Leontjev, Manager of the Markets and Treasury Support and Control Unit,

Šarūnas Vaineikis, Manager of the Prevention Department,

Vaidas Žiedelis, Manager of the Operational Risk Department,

Vytautas Danta, Manager of the Compliance Unit.

Risk management committee held eight meetings in the full year 2013.

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

Members

Anne Birgitte Prestholdt, Executive Vice president of the Bank.

Bjornar Lund, President of the Bank

Dr. Vygintas Bubnys, 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 2013 forty seven 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:

Chairwoman	Sigutė Dindaitė-Kairienė , Manager of the Human
Members	Dalius Darulis , Manager of the Food and Energy Business Center
	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

In 2013 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 2013 the number of employees in the Group was 1,252 employees, 1,221 of them were employees of *AB DNB Bankas*. In the reporting year, the number of *AB DNB Bankas Group* employees averaged 1,334.

Over the reporting period the number of Group's employees decreased 10.5 percent due to implemented project to upgrade the bank's core banking system, process and branch network optimization.

Changes in the number of employees and salaries

	31 12 2010	31 12 2011	31 12 2012	31 12 2013
Number of staff in the Bank	1,276	1,325	1,364	1,221
Number of staff in the Group	1,300	1,353	1,395	1,252
Average monthly salary in the Group in LTL	3,895	3,995	4,220	4,370

The average gross monthly salary in the Group was LTL 4,370 in 2013. As at 31 December 2013, the average monthly salary by main staff groups was as follows: LTL 8,620 to the administration (members of the Management board excluded); LTL 3,640 to specialists; LTL 2,190 to clerical staff and workers.

The Group's staff by groups of positions as of 31 December 2013

	Number of employees	Staff structure by education		
		Higher	Specialised secondary (high)	Secondary
Administration	176	168	5	3
Specialists	1,036	762	134	140
Clerical staff and workers	40	30	4	6
Total	1,252	960	143	149

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 was approved by the Bank's Supervisory Council on 10 April 2012. On 18 March 2013, the Supervisory Council of the Bank amended the annex to the Remuneration Policy "Positions influencing the risk assumed by the bank". 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 key performance indicators (KPIs).

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 executive managers (the Bank's president, executive vice presidents, division managers, subsidiaries' directors) and 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 KPIs 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 2013 is based on the data available on 31 December 2013. All amounts indicated are before taxes

AB DNB Bankas	Fixed remuneration (thousand LT)	Variable remuneration (thousand LT)	Average number of recipients
Bank administration	2,055	0	7
Employees risk takers	436	0	2
Employees	67,864	0	1295
Total:	70,355	0	1304

No payments for performance results of 2013 were made.

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

In 2013 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.

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)
	110	2,752	133

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

- The employment contract of two members of the Management Board who also act as executive vice-presidents of the Bank provide that the Bank shall pay to the employee a severance pay amounting to his/her three average monthly salaries, unless a higher severance pay amount is established by law, when the employment contract terminates or is cancelled on one of the following grounds: (a) on the Employers' will, (b) on the Employer's initiative, when the Employee is not at fault, (c) when the Employee refuses to be transferred together with the Bank (its unit) to another location, (d) when the Employee refuses to work after the introduction of changes to the employment conditions, (e) when the medical commission or the commission for the establishment of disability concludes that the Employee is unable to work under the employment contract.
- The employment contract of two members of the Management Board who also act as executive vice-presidents of the Bank provide that the Bank shall pay to the employee a severance pay amounting to his/her six average monthly salaries, unless a higher severance pay amount is established by law, when the employment contract terminates or is cancelled on one of the following grounds: (a) on the Employers' will, (b) on the Employer's initiative, when the Employee is not at fault, (c) when the Employee refuses to be transferred together with the Bank (its unit) to another location, (d) when the Employee refuses to work after the introduction of changes to the employment conditions, (e) when the medical commission or the commission for the establishment of disability concludes that the Employee is unable to work under the employment contract.
- The employment contract of the advisor to president of the Bank provide that the Bank shall pay to the employee a severance pay amounting to his/her nine average monthly salaries, unless a higher severance pay amount is established by law, when the employment contract terminates or is cancelled on one of the following grounds: (a) on the Employers' will, (b) on the Employer's initiative, when the Employee is not at fault, (c) when the Employee is not returned to the position of Executive Vice President of the Bank.

Additional retirement benefit or early retirement scheme does not apply for the Members of the Management Board.

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 2013 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. The fixed salary paid to the Members of the Management Board who also held other positions in the Bank and to the Chief Financier increased by 6.4 percent on average in 2013. The information on amounts paid individually is not provided following the legal requirements related 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.	2,809
Under employment agreement	2,251
Employer's social insurance contributions	558
Other payments including the employer's social insurance contributions*	744
Average per executive and chief financier of the Bank.	351
Under employment agreement	281
Employer's social insurance contributions	70

*expenses related with car rent, accommodation and settling

25. DIVIDENDS

Over the period of the past five years the Issuer paid no dividend.

26. INFORMATION ON HARMFUL TRANSACTIONS CARRIED OUT ON BEHALF OF THE ISSUER 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 Issuer (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 Issuer 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 2013 to 31 December 2013 the number of litigation (arbitration) proceedings, where Bank is a party (defendant, plaintiff or the third party), had decreased in the reporting year. 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.

As at the end of the reporting period part of the legal disputes were related to equity linked bonds. The Bank was a defendant in 30 civil cases with the disputed amount being approximately equal to LTL 38.5 million. The disputes are related to equity linked bonds issued by the Bank, which were acquired by the claimants from the funds borrowed from the Bank. 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. 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. The courts' decisions have been different. The Bank consistently holds the position that the information to customers was properly disclosed and the investment services were rendered in accordance with the legal requirements.

On 20 December 2012 the Competition council of the Republic of Lithuania adopted Resolution No. 2S-15 regarding *SEB Bank, Swedbank AB, DNB bankas, UAB First Data Lietuva and UAB G4S Lietuva* operational compliance with the requirements of article 5 of the Lithuania's competition law and requirements of article 101 of the Treaty on the Functioning of the European Union and declared that AB DNB Bankas has violated the aforementioned requirements of article 5 of the Lithuanian competition law and the requirements of article 101 of the Treaty on the Functioning of the European Union. The Competition council imposed a fine of 8,630,200 litas to the Bank. It should be noted that the Bank does not agree with the decision and 9 January 2013 appealed to the Vilnius Regional Administrative Court. On 18 June 2013 the Court decided to reduce the fine imposed by the Competition Council by 60 percent. In line with Bank's position that it had not violated the competition law, the Bank appealed this decision.

29. SOCIAL PROJECTS

AB DNB Bankas group actively supports relevant future-oriented local and nation-wide social initiatives and shared its expertise and skills with the society.

In 2013 the Bank paid increasing attention on educational projects. For a second consecutive year the Bank sponsored the project LIFTAS aimed at promotion of youth entrepreneurship. It attracted active participation of 70 gymnasiums of Lithuania. The Bank invited SE Versli Lietuva, the government agency promoting entrepreneurship in Lithuania as well as ISM University to join the programme. The Bank together with two partners also was part of the range of projects aimed at improvement of business environment in Lithuania, promotion of entrepreneurship and development of practical instruments for business start-ups.

Pursuing its strategic business goals *AB DNB Bankas* created a program on promotion of entrepreneurship for those planning independent startup - *STARTING YOUR OWN BUSINESS*. That is a practical guide to starting and developing own business – from researching a business idea, business planning and setting up to market positioning. According to the market data DNB application *STARTING YOUR OWN BUSINESS* registered almost 20 thousand clicks of people interested to start their business. DNB's programme for start ups rests on the understanding that a good idea alone is not enough for business startup – practical solutions to help realize the plans are also important.

To promote science and innovations in 2013 for 10 years running the Bank awarded the Best Thesis along with the Lithuanian Society of Young Researchers. The Bank continued close cooperation with Lithuanian high schools and universities, ISM University in particular, by contributing to their program called 100 Talents and by involving their students in practical business projects.

To promote rational behaviour in personal finance management and good saving habits the Bank invited to "Make an agreement with yourself" and reinforce that understanding by participating in *DNB half marathon* in Vilnius. *Nike I run Vilnius. DNB half marathon* attracted more than 5 000 participants. This year the running event is planned to be of larger-scale by contributing in parallel to both the healthy living and saving cultures. Moreover, in 2013 the Bank launched an initiative "DNB Nordic walking club" and invited to join free walking exercises in Vilnius Vingis Park, and in middle of winter DNB Bankas invited people leading a healthy lifestyle to one of the most popular winter events – cross-country skiing "Snow tours" having long-established traditions and sponsored by the Bank for the second consecutive year.

To promote future-oriented projects the Bank encourages not to forget the history – in 2013 the Bank initiated a new project in Vilnius "V-16 – *Day of Excursions*" dedicated to the Lithuanian Independence Day. This project received great public support and is planned to be continued.

In the strong belief that the national administrative culture is a important to the national welfare the Bank traditionally sponsors the contest of the State Officer of the Year organized by the weekly magazine *Veidas*.

Showing its commitment to long-term partnership, the Bank marks a 11-year partnership with the Lithuanian Basketball Federation. Sponsorship of the Lithuanian National Men's Basketball Team is the main sports sponsorship project of the Bank. In 2013, in the international competition "Baltic PR Awards 2013" DNB basketball sponsorship campaign was ranked the best in the Baltics.

To promote and support the culture and arts, in 2013 the Bank contributed to the staging, for the first time in Lithuania, of V.A.Mozart's opera "*Così fan tutte*" (Thus do They All) by D.Ibelhauptaitė together the innovative artists – the *Bohemians' Group*. Moreover, the Bank continued to sponsor Kaunas Musical Theatre and such events like the festival "Operetta in Kaunas Castle" and Klaipėda Castle FAZZ festival.

Traditionally, the Bank participates in Christmas charity campaigns by contributing to the Christmas campaign "Christmas of Books" initiated by the Republic of Lithuania President D.Grybauskaitė and the International Christmas Market. At the end of 2013 the Bank opened an ice-skating rink in Vilnius city, which at the very start of winter season became the centre of attraction to local inhabitants and city guests.

The Bank promotes new ideas and supports local initiatives by contributing to the life of each community in larger and smaller towns and their cultural events

President of AB DNB Bankas



Bjørnar Lund

Annex I

Main characteristics of debt securities issued for public trading

As of 31 December 2013 the following debt securities issues were made by the Issuer for public trading:

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2013 (LTL)
Fixed rate note issue No. 5/2015 (LT0000405052)	150,000	100 (LTL)	99.3519 (LTL)	15,000,000 (LTL)	5.00	07 05 2015	Par	747,000
Security and commodity index linked notes								
Nothern Europe equity-linked note issue No. 1 (LT1000430215)	5,669	100 (EUR)	100.00 (EUR)	566,900 (EUR)	Subject to index change	10 03 2014	Par +/- premium	-
USA equity-linked note issue No. 1 (LT1000430231)	9,565	100 (EUR)	100.00 (EUR)	956,500 (EUR)	Subject to index change	21 04 2014	Par +/- premium	-
Germany equity-linked note issue No. 1 (LT1000430371)	3,203	100 (EUR)	103.00 (EUR)	320,300 (EUR)	Subject to index change	16 05 2014	Par +/- premium	-
Germany equity-linked note issue No. 2 (LT0000431280)	27,513	100 (LTL)	100.00 (LTL)	2,751,300 (LTL)	Subject to index change	16 05 2014	Par +/- premium	-
Nothern Europe equity-linked note issue No. 2 (LT0000431363)	56,427	100 (LTL)	100.00 (LTL)	5,642,700 (LTL)	Subject to index change	25 10 2014	Par +/- premium	-

Annex II

DISCLOSURE OF AB DNB BANKAS CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON NASDAQ OMX VILNIUS

AB DNB Bankas (hereinafter referred to as "the Bank", "the Company" or "the Issuer"), following paragraph 3 of Article 21 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Governance Code for the companies listed on NASDAQ OMX Vilnius and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it is specified which provisions are not complied with and the reasons of non-compliance.

On 31 December 2013 one issue of notes was listed on NASDAQ OMX Vilnius list of debt securities the data of which is specified in Part 8 of this Consolidated Annual Report.

PRINCIPLES/RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Bank adopts and annually updates the Strategy of the Bank. The provisions of the Strategy, which do not contain confidential information, are disclosed in the Annual Report of the Bank.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
Principle II: The corporate governance framework The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	Both the Supervisory Council and the Management Board are elected in the Bank.

2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Bylaws of the Bank establishes that the Management Board consists of 7 (seven) members, the Supervisory Council consists of 5 (five) members.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The Supervisory Council is elected for the term of 4 (four) years. The Bylaws and practice of the Bank does not prohibit a re-election of the members of the Supervisory Council for a new term.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Not applicable	All the shares are owned by one shareholder.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Not applicable	All the shares are owned by one shareholder.

3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	In regard with the situation that the Bank is controlled by one shareholder, the Supervisory Council of the Bank doesn't contain independent members.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined	Not applicable	Please see the remark for item 3.6.

<p>in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>Not applicable</p>	<p>Please see the remark for item 3.6.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>Not applicable</p>	<p>Please see the remark for item 3.6.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Not applicable</p>	<p>Please see the remark for item 3.6.</p>

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	To the best knowledge of the Bank all the members of the Supervisory Council act in good faith, with care and responsibility not for their own or third parties' interests, but for the benefit and in the interests of the Bank and its shareholders.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Not applicable	All the shares are owned by one shareholder.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	

<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	<p>Yes</p>	
<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>Yes</p>	<p>The Bylaws of the Bank provide that the Audit Committee and Remuneration Committee are formed by the Supervisory Council of the Bank. Nomination Committees is not established. The functions of this committee are performed by the Supervisory Council.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>Yes</p>	
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	<p>Yes</p>	<p>There are 3 (three) members in the Audit Committee appointed by the Supervisory Council, 1 (one) of them is an independent member.</p>

<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>Yes</p>	<p>The Audit Committee reports to the Supervisory Council at least annually. The Audit Committee also submits reports upon request of the Supervisory Council.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>Yes</p>	
<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>Not applicable</p>	<p>The Nomination Committee is not established in the Bank.</p>
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations 	<p>Yes</p>	<p>The Remuneration committee consists of 5 members and it reports to the Supervisory Council of the Bank at least annually, in written form.</p>

on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;

2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;

3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;

4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;

Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;

4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);

5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.

4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:

1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;

2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;

3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.

4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.

4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.

Please see section 24 of the annual report.

<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</p> <p>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p> <p>5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p> <p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as</p>	<p>Yes</p>	<p>The Audit Committee reports to the Supervisory Council of the Bank at least annually. The Audit Committee also submits reports upon request of the Supervisory Council.</p>
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<p>the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	Yes	The Supervisory Council in the Meeting to be held before every ordinary general meeting of shareholders performs the annual self-assessment.

Principle V: The working procedure of the company's collegial bodies

The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.

<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	Yes	
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.</p>	Yes	

5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	
Principle VI: The equitable treatment of shareholders and shareholder rights The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	<p>The ordinary registered shares consisting the authorised capital of the Bank grant equal rights to all the owners of the shares of the Bank.</p> <p>On 30 June 2011 <i>DNB Bank ASA</i> registered in Norway has acquired 100 percent of shares of AB DNB bankas from <i>Bank DnB NORD A/S</i>, registered in Denmark and controlled by <i>DNB Bank ASA</i>, thus becoming direct shareholder of the Bank owning 100 percent of it's shares and voting rights.</p>
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	Pursuant to the Law on Companies and the Bylaws of the Bank the approval of transactions indicated in this item is attached to the competence of the Management Board. According to the internal regulations of the Bank significant transactions shall also be approved by the Supervisory Council.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Not applicable	All the shares are owned by one shareholder.

6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Not applicable	All the shares are owned by one shareholder.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	All the shares are owned by one shareholder.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	Taking into consideration that the Bank has the sole shareholder there is no need to implement measures indicated in this item.

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

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	Yes	<p>According to the decision of the Management Board of the Bank of Lithuania to approve the Minimal requirements for remuneration policy of the employees of the credit institutions, the Bank publishes the remuneration statement as a part of annual report and it is posted on the company's website.</p> <p>Submitted volume of information does not disclose any sensitive information.</p>
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Yes	
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors. 13) Remuneration statement should not include commercially sensitive information.	Yes	

<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	<p>Yes</p>	
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ol style="list-style-type: none"> 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ol style="list-style-type: none"> 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ol style="list-style-type: none"> 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>	<p>Yes</p>	<p>See section 8.1.</p>

8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Yes	
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Yes	
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	No such provision were included in the agreements, but is discussed in the Remuneration Policy, so if such facts would emerge, the Bank would take all necessary actions to recover the allegedly received remuneration.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Yes	
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	Yes	
8.13. Shares should not vest for at least three years after their award.	Yes	The variable remuneration amounts are subject to 3 years of delay period. 50 percent of any variable remuneration should be paid in DNB Bank ASA shares.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Yes	
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	In regard that the Bank is controlled by the sole shareholder, the remunerations for Bank administration managers (who in the same time are the members of Management Board) are considered in the Supervisory council.

8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	In regard that the Bank is controlled by the sole shareholder, the Remuneration Policy is changed/confirmed in the Supervisory Council of the Bank.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	Considering the fact that the Bank is controlled by the sole shareholder, the schemes are approved by the Supervisory Council of the Bank.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	Not applicable	The Supervisory Council of the Bank is responsible for the approval of the Remuneration Policy and the Management Board is responsible for its implementation.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	Not applicable	
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	Not applicable	Considering the fact that the Bank is controlled by the sole shareholder, information is provided for the Supervisory Council of the Bank.

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Bank complies with all requirements of legal acts regarding rights of the stakeholders to participate in the corporate governance of the Bank. However, no group of stakeholders, entitled according to the laws to participate in the corporate governance of the Bank, has implemented its rights according to the procedures set in the laws.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	Yes	
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10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	All the information indicated in this item is published on the website of the Bank. The shares of the Bank are not listed on the regulated market.
Principle XI: The selection of the company's auditor The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	

AB DNB Bankas
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

THE GROUP AND BANK INCOME STATEMENT

	Notes	Group		Bank	
		2013	2012	2013	2012
Interest income		287,543	365,007	280,534	357,107
Interest expense		(74,430)	(123,413)	(74,427)	(123,413)
Net interest income	1	213,113	241,594	206,107	233,694
Fee and commission income	2	120,044	102,741	120,360	104,284
Fee and commission expense	2	(25,387)	(21,709)	(24,853)	(21,354)
Net interest, fee and commission income		307,770	322,626	301,614	316,624
Net gain (loss) on operations with securities and derivative financial instruments	3	(12,206)	12,207	(9,404)	14,583
Net foreign exchange result		41,170	25,669	41,286	25,757
Impairment losses and provisions	4	(2,120)	(43,115)	7,849	(36,309)
Other income	5	27,340	18,248	20,431	14,593
Personnel expenses	6	(115,818)	(108,620)	(112,098)	(105,677)
Depreciation and amortisation	7	(11,797)	(12,125)	(11,735)	(11,980)
Other administrative expenses	8	(184,346)	(134,371)	(176,826)	(129,163)
Profit (loss) before income tax		49,993	80,519	61,117	88,428
Income tax	9	(4,406)	(95)	(4,002)	-
Net profit (loss) for the year		45,587	80,424	57,115	88,428
Profit (loss) attributable to:					
Equity holders of the parent		45,587	80,424	57,115	88,428
Earnings per share (in LTL per share)					
Basic	10	7.98	14.08		
Diluted	10	7.98	14.08		

The accounting policies and notes on pages 54 to 131 are an integral part of these financial statements.

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

THE GROUP AND BANK STATEMENT OF COMPREHENSIVE INCOME

	Group		Bank	
	2013	2012	2013	2012
Profit (loss) for the year	45,587	80,424	57,115	88,428
Other comprehensive income (expenses) to be reclassified to profit or loss in subsequent periods: available for sale assets revaluation	-	115	-	-
Total other comprehensive income (expenses) to be reclassified to profit or loss in subsequent periods:	-	115	-	-
Total comprehensive income (expenses) for the year, net of tax	45,587	80,539	57,115	88,428
Attributable to: Equity holders of the parent	45,587	80,539	57,115	88,428

AB DNB Bankas
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

THE GROUP AND BANK STATEMENT OF FINANCIAL POSITION

		Group		Bank	
	Notes	31 December 2013	31 December 2012	31 December 2013	31 December 2012
ASSETS					
Cash and balances with central banks	11	482,885	535,163	482,885	535,163
Due from banks	12	845,584	1,017,603	845,584	1,017,603
Financial assets held for trading	13	53,506	50,848	53,506	50,848
Financial assets designated at fair value through profit or loss	14	822,980	626,978	816,477	619,743
Derivative financial instruments	15	12,525	16,643	12,525	16,643
Financial assets - available for sale	16	-	952	-	952
Loans and advances to customers	17	8,942,027	8,560,769	9,411,845	8,967,084
Finance lease receivables	19	351,657	295,793	-	-
Investments in subsidiaries	20	-	-	237,756	201,225
Investment property	22	227,793	227,047	-	-
Property, plant and equipment	21	85,255	89,827	84,984	89,466
Intangible assets	23	11,803	8,987	11,758	8,958
Deferred income tax asset	9	25,804	29,755	25,804	29,804
Other assets	24	72,433	50,494	49,843	32,780
Non-current assets and disposal groups held for sale	25	40,229	14,722	3,544	10,404
Total assets		11,974,481	11,525,581	12,036,511	11,580,673
LIABILITIES AND EQUITY					
Due to banks	26	4,200,763	4,099,366	4,200,763	4,099,366
Derivative financial instruments	15	21,224	26,222	21,224	26,222
Due to customers	27	6,252,718	5,884,500	6,256,532	5,886,161
Debt securities in issue	28	13,464	70,558	13,464	70,558
Provisions	29	4,724	5,883	49,056	58,246
Other liabilities	30	48,904	51,955	41,377	43,140
Total liabilities		10,541,797	10,138,484	10,582,416	10,183,693
Equity attributable to equity holders of parent					
Ordinary shares	31	656,665	656,665	656,665	656,665
Share premium	31	282,929	282,929	282,929	282,929
Retained earnings		122,991	82,009	144,602	92,092
Reserves	32	370,099	365,494	369,899	365,294
		1,432,684	1,387,097	1,454,095	1,396,980
Total equity		1,432,684	1,387,097	1,454,095	1,396,980
Total liabilities and equity		11,974,481	11,525,581	12,036,511	11,580,673

These Financial Statements were signed on 20 February 2014:



B. Lund
President



J. Šaučiūnienė
Chief Accountant

The accounting policies and notes on pages 54 to 131 are an integral part of these financial statements.

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

GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
	Issued shares	Share premium	Financial assets revaluation reserve	Mandatory reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2012	656,665	282,929	(115)	200	365,102	1,777	1,306,558
Total comprehensive income	-	-	115	-	-	80,424	80,539
Depreciation transfer for buildings	-	-	-	-	(1)	1	-
Transfer to mandatory reserve	-	-	-	193	-	(193)	-
Balance at 31 December 2012	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

The accounting policies and notes on pages 54 to 131 are an integral part of these financial statements.

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

BANK STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						Total
	Issued shares	Share premium	Financial assets revaluation reserve	Mandatory reserve	Other reserves	Retained earnings	
Balance at 1 January 2012	656,665	282,929	-	-	365,102	3,856	1,308,552
Total comprehensive income	-	-	-	-	-	88,428	88,428
Depreciation transfer for buildings	-	-	-	-	(1)	1	-
Transfer to mandatory reserve	-	-	-	193	-	(193)	-
Balance at 31 December 2012	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

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

GROUP AND BANK STATEMENT OF CASH FLOWS

	Notes	Group		Bank	
		2013	2012	2013	2012
Operating activities					
Interest receipt		267,464	337,881	259,172	329,833
Interest payments		(80,839)	(130,388)	(80,373)	(131,188)
Collected previously written-off loans		4,990	5,232	4,990	5,232
Net receipt from FX trading and operations in securities		11,660	13,702	11,660	13,433
Fee and commission receipt		120,044	102,741	120,360	104,284
Fee and commission payments		(25,387)	(21,709)	(24,853)	(21,354)
Salaries and related payments		(114,757)	(107,096)	(111,135)	(104,381)
Other payments		(157,006)	(116,123)	(156,395)	(114,570)
Net cash flows from operating activities before changes in operating assets and liabilities		26,169	84,240	23,426	81,289
(Increase) decrease in operating assets:					
(Increase) decrease in loans to credit and financial institutions		263,894	(104,956)	211,793	(101,073)
(Increase) decrease in loans granted, except loans to credit and financial institutions		(355,009)	(44,630)	(358,860)	(96,958)
(Purchase) of trading securities		(2,800,606)	(2,835,724)	(2,800,606)	(2,835,724)
Proceeds from trading securities		2,800,358	2,817,055	2,800,358	2,817,055
(Increase) decrease in other assets		(49,713)	(91,916)	4,133	(40,332)
Change in operating assets		(141,076)	(260,171)	(143,182)	(257,032)
Increase (decrease) in liabilities:					
(Decrease) in liabilities to credit and financial institutions		103,981	(466,254)	104,916	(467,864)
Increase (decrease) in deposits		370,347	806,483	371,588	807,133
Increase (decrease) in other liabilities		2,485	2,982	3,385	1,758
Change in operating liabilities		476,813	343,211	479,889	341,027
Income tax paid		-	-	-	-
Net cash flows from operating activities		361,906	167,280	360,133	165,284
Investing activities					
Acquisition of property, plant, equipment and intangible assets		(10,519)	(13,629)	(10,448)	(13,566)
Disposal of property, plant, equipment and intangible assets		79	290	4	-
Purchase of securities		(1,181,601)	(612,461)	(1,153,486)	(608,225)
Proceeds from securities		982,612	396,436	953,786	392,037
Dividends received		11	15	2,798	2,660
Interest received		6,296	9,472	6,113	9,301
Net cash flows from investing activities		(203,122)	(219,877)	(201,233)	(217,793)

The accounting policies and notes on pages 54 to 131 are an integral part of these financial statements.

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

GROUP AND BANK STATEMENT OF CASH FLOWS (continued)

	Notes	Group		Bank	
		2013	2012	2013	2012
Financing activities					
Own debt securities redemption		(56,730)	(45,202)	(56,730)	(45,202)
Interest paid		(2,719)	(3,084)	(2,719)	(3,084)
Repaid subordinated loans		-	(37,981)	-	(37,981)
Net cash flows from financing activities		(59,449)	(86,267)	(59,449)	(86,267)
Net increase (decrease) in cash and cash equivalents		99,335	(138,864)	99,451	(138,776)
Net foreign exchange difference on cash and cash equivalents		(24,420)	(9,945)	(24,536)	(10,033)
Cash and cash equivalents at 1 January		670,575	819,384	670,575	819,384
Cash and cash equivalents at 31 December	35	745,490	670,575	745,490	670,575

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

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 2013 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 Industrious (Company was registered in Legal Entities, State enterprise Centre of Register on 15 February 2011) and subsidiary UAB Gėlužės projektai (acquired from Bank on 19 October 2011),
- UAB Industrious (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 2013 the Bank owned 100% of the share capital of AB DNB Lizingas, UAB DNB Investicijų Valdymas, UAB Intractus, 99.9% UAB Industrious 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 Industrious. 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 Industrious, UAB Gėlužės projektai.

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 Industrious and UAB Gėlužės 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 70 client service outlets (2012: 78 client service outlets). As at 31 December 2013 the Bank had 1,221 employees (2012: 1,364 employees). As at 31 December 2013 the Group had 1,252 employees (2012: 1,395 employees).

As at 31 December 2013 the authorized capital of the Bank is LTL 656,665,410 (2012: 656,665,410), which is divided into 5,710,134 (2012: 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.

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

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 2013 that have been adopted for use in the European Union. 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 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (OCI). This amendment changes the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. Since the Group has just one OCI item, the change to its presentation is minimal.
- Amendments to IAS 19 *Employee Benefits*. These amendments range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. This amendment did not impact the financial statements of the Group, because the Group does not have material defined benefit obligations.
- Amendment to IFRS 7 *Financial Instruments: Disclosures* - Offsetting Financial Assets and Financial Liabilities. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The implementation of this standard did not have a material impact on the amounts recognised in these financial statements; however it resulted in additional disclosures (Note 18).
- IFRS 13 *Fair Value Measurement*. The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. The implementation of this standard did not have a material impact on the amounts recognised in these financial statements, however it resulted in additional disclosures.
- IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*. This interpretation applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). This interpretation had no impact on the Group's financial statements, as the Group is not involved in mining activity.

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 19 *Employee Benefits* (effective for financial years beginning on or after 1 July 2014, once endorsed by the EU)

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.

Amendment to IAS 27 *Separate Financial Statements* (effective for financial years beginning on or after 1 January 2014)

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. IAS 27 *Separate Financial Statements* requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. The implementation of this amendment will not have any impact on the financial statements of the Group.

Amendment to IAS 28 *Investments in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2014)

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. The implementation of this amendment will not have any impact on the financial statements of the Group.

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

ACCOUNTING POLICIES (continued)

Amendment to IAS 32 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2014)

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. The Group has not yet evaluated the impact of the implementation of this amendment.

Amendment to IAS 36 *Impairment of Assets* (effective for financial years beginning on or after 1 January 2014)

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 will not have any impact on the financial position or performance of the Group, however may result in additional disclosures.

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* (effective for financial years beginning on or after 1 January 2014)

The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment will not have any impact on the financial position or performance of the Group, since it does not apply hedge accounting.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2015, 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.

IFRS 10 *Consolidated Financial Statements* (effective for financial years beginning on or after 1 January 2014)

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. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. 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. The amendment will not have any impact on the financial position or performance of the Group.

IFRS 11 *Joint Arrangements* (effective for financial years beginning on or after 1 January 2014)

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. The amendment will not have any impact on the financial position or performance of the Group.

IFRS 12 *Disclosures of Interests in Other Entities* (effective for financial years beginning on or after 1 January 2014)

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 also will be required such as disclosing the judgments made to determine control over another entity. The amendment will not have any impact on the financial position or performance of the Group, however may result in additional disclosures.

Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment Entities* (effective for financial years beginning on or after 1 January 2014)

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. The implementation of this amendment will not have any impact on the financial statements of the Group, as the parent of the Group is not an investment entity.

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.

Improvements to IFRSs

Effective for financial years beginning on or after 1 July 2014, once endorsed by the EU:

In December 2013 IASB issued omnibus of necessary, but non-urgent amendments to the following standards

- IFRS 1 *First-time adoption of IFRS*;

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

ACCOUNTING POLICIES (continued)

- 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*;
- IAS 40 *Investment property*.

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 1 January 2014, once endorsed by the EU)

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 Bank'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 its 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 13-16.

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 approach and also income approach was used for some objects.

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

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

ACCOUNTING POLICIES (continued)

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.

Consolidation

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Acquisition costs incurred are expenses and included in administrative expenses.

The excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Subsidiaries in the stand-alone financial statements are accounted at cost less impairment, if any.

When the Bank acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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.

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 method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that 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.

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

ACCOUNTING POLICIES (continued)

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.

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.

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

ACCOUNTING POLICIES (continued)

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.

Available for sale financial assets

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

Available for sale securities are initially recognised at fair value based on transaction price. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised directly in other comprehensive income except for impairment losses. Foreign exchange gains and losses on equity available for sale securities are recognized in other comprehensive income, but foreign exchange gains and losses on debt available for sale securities are recognized in profit and loss. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

Interest calculated using the effective interest rate is recognised in profit or loss. Interest earned whilst holding securities is reported as interest income. Dividends receivable are included separately in dividend income when the right of the payment has been established.

All regular way purchases and sales of securities are recognised at settlement date, which is the date that an asset is delivered to or by the Group. All other purchases and sales are recognised as derivative forward transactions until settlement.

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

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

ACCOUNTING POLICIES (continued)

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

In order to assess whether the financial assets are impaired collectively they are grouped into homogeneous groups according to customer segment, type of assets and delinquency in contractual payments. 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.

For available-for-sale financial investments, the bank assesses at each statement of financial position date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for sale, the bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. If, in a subsequent period, the fair value of a

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

ACCOUNTING POLICIES (continued)

debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized directly in equity.

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

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

ACCOUNTING POLICIES (continued)

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 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.

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

ACCOUNTING POLICIES (continued)

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.

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.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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.

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

ACCOUNTING POLICIES (continued)

Share issue costs

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

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.

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.

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

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 conservative 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.

The most important types of risk the Group is exposed to are credit risk, market risk, liquidity risk, business risk and operational 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.

In the Internal Capital Adequacy Assessment Process (ICAAP) the Group assesses the material risks it is exposed to that are not captured or are not fully captured by the Pillar I requirements for the capital adequacy calculation. The most significant risks that were identified during ICAAP are the following:

- concentration risk, residual risk and risk related with lending in foreign currencies as part of the credit risk;
- interest rate risk arising from the banking book as part of the market risk;
- business risk covering economic cycle and strategic risks;
- operational risk (including compliance and legal risks).

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 customers or segments of customers for the Group. 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 risk level and structure for the Group. 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.

The control function for the major material risk – credit risk – is under responsibility of the Risk Quantification and Portfolio Analysis Department. As a consequence of strengthening of the control of operational risk management in the Group during the last years, 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 Unit was established in the same year. All three organizational units responsible for the control of financial risks – Risk Quantification and Portfolio Analysis Department, Operational Risk Department and Markets and Treasury Support and Control unit – 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 Unit identifies, assesses, advises on, monitors, tests and reports on compliance risks. The Compliance Unit is

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

FINANCIAL RISK MANAGEMENT (continued)

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 decision making and regulation regarding liquidity and market risk are delegated to the non-structural unit - Risk Management Committee (hereinafter referred to as RMC). The aim of RMC is to adopt and implement decisions of international DNB Group ALCO in operations of the Group as well as to regulate assets and liabilities management via transfer price system, setting of internal limits and using other measures. 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 counseling 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. The positive development in losses stemming from the credit risk in 2013 came as a result of improving economic conditions and more stable business environment. Respectively this positively contributed to the Group's annual results.

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. Decisions for granting of loans are made at the different levels of competence, depending on the loan volume, the significance of the customer and the level of risk to be taken.

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 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),
- single ownership companies,
- companies starting business,
- individual customers,
- real estate projects of the legal entities.

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).

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

FINANCIAL RISK MANAGEMENT (continued)

In the year 2013 more emphasis was put on the implementation of risk based pricing for all customer / product segments and risk adjusted profitability measurement for business lines as well as on amendment of risk measurement tools for the business customers.

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 new advisory tool was implemented in the year 2012 playing an important role in the pricing and decision making for large corporate customers. In the year 2013 RAC-based pricing as well as RORAC-based profitability assessment was extended to the other segments of loan portfolio. Training of people involved in credit activities and their support on new approach for pricing and profitability measurement played an important role in implementation of these changes.

(b) Debt securities

Debt securities are in the region of 7 per cent of the total assets of the Group. The credit risk arising from them is considered as being immaterial. 99.5% of Bank owned debt securities are issued by Lithuanian government, 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 exposures to a single borrower or the group of related borrowers and large exposures, 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 2013, 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.

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.

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

FINANCIAL RISK MANAGEMENT (continued)

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 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.

Valuation of impaired large exposures that are above materiality thresholds is performed at least quarterly or more frequently when individual circumstances require. 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 (most of them are the loans to the Bank's retail customers: individuals, farmers, SMEs) are made based on the long-run historical data on actual losses of the respective segment and expert judgment. This methodology enables an accurate assessment of the anticipated loss of a high number of the impaired small exposures and at the same time it provides 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 by portfolio segments which are distinguished based on customer type (e.g., economic activity) or product type.

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.

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

FINANCIAL RISK MANAGEMENT (continued)

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

	Group		Bank	
	2013	2012	2013	2012
Credit risk exposures relating to on-balance sheet assets are as follows:				
Cash and balances with central banks	482,885	535,163	482,885	535,163
Due from banks	845,584	1,017,603	845,584	1,017,603
Loans and advances to customers:	8,942,027	8,560,769	9,411,845	8,967,084
Loans and advances to financial institutions	37,924	2,738	377,994	290,704
Loans to individuals (retail):	4,067,073	3,906,053	4,067,073	3,906,053
- Consumer loans	175,394	173,617	175,394	173,617
- Mortgages	3,860,334	3,685,797	3,860,334	3,685,797
- Loans secured by equity linked bonds issued by Bank	9,654	22,735	9,654	22,735
- Other (credit cards, reverse repurchase agreements, other loans backed by securities, other)	21,691	23,904	21,691	23,904
Loans to business customers:	4,837,030	4,651,978	4,966,778	4,770,327
- Public authorities, state and municipal entities	957,642	785,790	957,642	785,790
- Large corporates	2,317,070	2,327,035	2,317,070	2,327,035
- SMEs	1,282,548	1,293,082	1,412,296	1,411,431
- Farmers	276,750	243,764	276,750	243,764
- Other	3,020	2,307	3,020	2,307
Finance lease receivables	351,657	295,793	-	-
- Individuals	39,330	32,054	-	-
- Business customers	312,327	263,739	-	-
Trading assets:	53,506	50,848	53,506	50,848
- Debt securities	53,506	50,848	53,506	50,848
Securities designated at fair value through profit or loss	822,980	626,978	816,477	619,743
- Debt securities	821,544	626,334	815,557	619,743
- Equity securities	1,436	644	920	-
Derivative financial instruments	12,525	16,643	12,525	16,643
Securities available for sale	-	952	-	952
- Equity securities	-	952	-	952
Credit risk exposures relating to off – balance sheet items are as follows:	1,641,252	1,213,923	2,219,959	1,833,152
- Financial guarantees	417,525	341,134	649,705	567,183
- Loan commitments and other credit related liabilities	1,223,727	872,789	1,570,254	1,265,969
December 31	13,152,416	12,318,672	13,842,781	13,041,188

The table above represents credit risk exposure at 31 December 2013 and 2012, 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 74% of the total maximum exposure of the Group (2012: 78%) and for 74% of the total maximum exposure of the Bank (2012: 77%).

Due to improved economic situation and more stable business environment 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 2013 was 6.3% whereas in 2012 it stood at 7.5%.

Possible credit risk losses are significantly reduced by collaterals: mortgage loans and 62% of loans and advances to business customers are secured by collateral (see paragraph 1.5(e) for more detailed information on collateralization).

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.

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

FINANCIAL RISK MANAGEMENT (continued)

1.5. Loans and advances

Loans and advances are summarized as follows:

Group

	31 December			
	2013		2012	
	Loans and advances to customers	Due from banks	Loans and advances to customers	Due from banks
Neither past due nor impaired	7,009,485	845,584	6,589,248	1,017,603
Past due but not impaired	1,163,104	-	1,095,059	-
Impaired	1,365,454	-	1,574,904	-
Gross	9,538,043	845,584	9,259,211	1,017,603
Less: allowance for impairment	(596,016)	-	(698,442)	-
Net	8,942,027	845,584	8,560,769	1,017,603

Bank

	31 December			
	2013		2012	
	Loans and advances to customers	Due from banks	Loans and advances to customers	Due from banks
Neither past due nor impaired	7,479,303	845,584	6,995,563	1,017,603
Past due but not impaired	1,163,104	-	1,095,059	-
Impaired	1,365,454	-	1,574,904	-
Gross	10,007,861	845,584	9,665,526	1,017,603
Less: allowance for impairment	(596,016)	-	(698,442)	-
Net	9,411,845	845,584	8,967,084	1,017,603

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 2013 the Group's total loans and advances increased by 3%. The Group's total impairment allowance for loans and advances is LTL 596,016 thousand (2012: LTL 698,442 thousand) and it accounts for 6.3% of the Group's respective portfolio (2012: 7.5%). The Group's impaired loans and advances to customers make 14.3% of the respective portfolio (2012: 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.

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).

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

FINANCIAL RISK MANAGEMENT (continued)

31 December 2013

	Bank loans to customers		
	Business customers	Individual customers	Total
Low risk	1,568,659	2,528,338	4,096,997
Moderate risk	2,277,356	396,702	2,674,058
High risk	473,364	234,884	708,248
Total	4,319,379	3,159,924	7,479,303

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

31 December 2012

	Bank loans to customers		
	Business customers	Individual customers	Total
Low risk	1,008,492	2,217,650	3,226,142
Moderate risk	2,491,506	271,251	2,762,757
High risk	514,268	492,396	1,006,664
Total	4,014,266	2,981,297	6,995,563

Total figures of the Group would be lower by LTL 406,315 thousand due to loans to subsidiaries – AB DNB Lizingas, UAB Intractus, 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 2013 and 2012 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)).

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

31 December 2012

	Group and Bank loans to customers		
	Business customers	Individual customers	Total
Past due up to 3 days	289,357	339,756	629,113
Past due 4 -30 days	15,657	72,379	88,036
Past due 31-60 days	56,291	145,074	201,365
Past due 61-90 days	19,984	25,456	45,440
Past due more than 90 days	104,260	26,845	131,105
Total	485,549	609,510	1,095,059
Value of risk mitigation measures	335,796	568,298	904,094

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

FINANCIAL RISK MANAGEMENT (continued)

A significant 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 amounted to LTL 71,667 thousand as of December 31, 2013 (2012: LTL 58,105 thousand). Interest income on impaired loans and advances to customers amounted to LTL 24,752 thousand as of December 31, 2013 (2012: LTL 25,968 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, 2013 and 2012.

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 into pools of homogeneous loans and advances and assessed for collective impairment. Insignificant loans and advances are grouped according to days overdue whereas significant ones are grouped according to economic activity of the borrower.

	Group and Bank loans		
	Business customers	Individual customers	Total
31 December 2013			
Individually assessed impaired loans	847,122	518,332	1,365,454
Value of collateral	569,141	390,640	959,781
31 December 2012			
Individually assessed impaired loans	996,063	578,841	1,574,904
Value of collateral	680,812	416,398	1,097,210

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. As the business environment was more stable, the year 2013 continued to show the tendency of decreasing demand for renegotiation of customers' loans which started already in the year 2011. 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 2013 and 2012.

	Group and Bank loans	
	2013	2012
Loans to individuals (retail):	26,327	77,980
- Consumer loans	492	985
- Mortgages	25,835	65,902
- Loans secured by equity linked bonds issued by Bank	-	11,093
Loans to business customers:	133,572	125,884
- Large corporates	61,894	7,205
- SMEs	68,716	109,691
- Farmers	2,962	8,988
Total	159,899	203,864

The renegotiated loans portfolio data was revised during 2013 and the selection of renegotiated loans was adjusted. In order to have comparable portfolio numbers 2012 year portfolio data was recalculated.

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

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

FINANCIAL RISK MANAGEMENT (continued)

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 43% of the secured part of the Group's loan portfolio (2012: 40%).

Loans and advances to financial institutions are generally unsecured.

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%

31 December 2012

	Group and Bank loans to individuals (retail)		Group loans to business customers		Bank loans to business customers	
		%		%		%
Unsecured loans	451,727	11%	1,793,840	35%	1,912,189	37%
Loans collateralized by:	3,717,921	89%	3,292,985	65%	3,292,985	63%
- residential real estate	2,636,156	63%	192,877	4%	192,877	4%
- other real estate	404,446	10%	2,265,269	45%	2,265,269	43%
- securities	12,902	0%	10,275	0%	10,275	0%
- guarantees	664,083	16%	110,640	2%	110,640	2%
- other assets	334	0%	713,924	14%	713,924	14%
Total	4,169,648	100%	5,086,825	100%	5,205,174	100%

1.6. Finance lease receivables

Finance lease receivables are summarized as follows:

	2013			2012		
	Business customers	Individuals	Total	Business customers	Individuals	Total
Neither past due nor impaired	279,988	35,620	315,608	209,013	27,287	236,300
Past due but not impaired	21,700	3,432	25,132	29,905	4,222	34,127
Impaired	59,607	1,062	60,669	92,760	1,840	94,600
Gross	361,295	40,114	401,409	331,678	33,349	365,027
Less: allowance for impairment	(48,968)	(784)	(49,752)	(67,939)	(1,295)	(69,234)
Net	312,327	39,330	351,657	263,739	32,054	295,793

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

FINANCIAL RISK MANAGEMENT (continued)

During the year ended 31 December 2013, finance lease receivables portfolio increased by 10.0%. Total impairment allowance for finance lease receivables is LTL 49,752 thousand (2012: LTL 69,234 thousand) and it accounts for 12.39% of the respective portfolio (2012: 18.97%).

1.7. Exposures rated by ECAI

Table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2013 based on Moody's ratings or their equivalent.

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

31 December 2012

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	-	-	-	-	-	-	-
From Baa1 to Ba3	50,000	848	-	-	266,897	359,437	677,182
NR	-	-	-	-	-	-	-
Total	50,000	848	-	-	266,897	359,437	677,182

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

FINANCIAL RISK MANAGEMENT (continued)

31 December 2012

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	-	-	-	-	-	-	-
From Baa1 to Ba3	50,000	848	-	-	260,306	359,437	670,591
NR	-	-	-	-	-	-	-
Total	50,000	848	-	-	260,306	359,437	670,591

1.8. Repossessed assets

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

Nature of assets at gross values	Gross amount			
	Group		Bank	
	2013	2012	2013	2012
Reposessed assets (investment properties, Note 22)	227,793	227,047	-	-
Other reposessed assets	40,456	19,440	32,908	19,440
Reposessed assets (non-current assets held for sale, Note 25)	40,229	14,722	3,544	10,404
Retrieved assets under cancelled lease contracts	38,664	31,629	-	-
Total	347,142	292,838	36,452	29,844

Other reposessed 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.

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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	38,420	452,963	724,906	236,613	122,626	717,570	176,341	438,420	931,832	289,784	3,195,544	74	7,325,093
Past due but not impaired	10	104,907	115,501	1,815	46,841	46,461	27,178	136,041	42,158	41,845	625,479	-	1,188,236
Impaired	-	15,153	104,811	288	141,484	99,236	29,038	421,377	18	95,255	519,394	69	1,426,123
Value adjustments and provisions	(1)	(5,919)	(45,032)	(408)	(79,022)	(52,706)	(22,326)	(149,671)	(9)	(56,592)	(234,013)	(69)	(645,768)
Changes for value adjustments and provisions during the reporting period	20	7,913	12,803	(32)	29,127	13,007	15,999	(398)	1	12,622	30,877	(31)	121,908
Total at 31 December 2013	38,429	567,104	900,186	238,308	231,929	810,561	210,231	846,167	973,999	370,292	4,106,404	74	9,293,684
Total at 31 December 2012	3,499	503,473	866,399	198,312	399,617	800,733	200,510	766,057	793,577	386,231	3,938,107	47	8,856,562

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	377,994	414,035	694,719	231,764	111,207	675,048	65,954	564,607	915,965	268,012	3,159,924	74	7,479,303
Past due but not impaired	-	101,934	114,171	1,430	46,231	43,825	16,227	135,985	40,999	40,255	622,047	-	1,163,104
Impaired	-	14,036	98,672	-	132,101	92,379	9,344	416,019	-	84,502	518,332	69	1,365,454
Value adjustments and provisions	-	(5,298)	(40,161)	(300)	(69,991)	(46,411)	(7,080)	(147,154)	-	(46,323)	(233,229)	(69)	(596,016)
Changes for value adjustments and provisions during the reporting period	-	6,144	10,685	27	28,687	6,732	7,738	152	-	11,926	30,366	(31)	102,426
Total at 31 December 2013	377,994	524,707	867,401	232,894	219,548	764,841	84,445	969,457	956,964	346,446	4,067,074	74	9,411,845
Total at 31 December 2012	290,704	470,372	827,689	193,064	389,667	759,851	103,315	875,194	785,271	365,857	3,906,053	47	8,967,084

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

FINANCIAL RISK MANAGEMENT (continued)

2. Market risk

The Group takes on 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 unit and reported regularly to the Bank's Management Board.

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.

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.

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 184 thousand in 2013 (2012: LTL 142 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 extend 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.

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

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 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 and Group's exposure to interest rate risk as of 31 December 2012 (basis point value):

Risk	Bank	DnB lizingas	DnB investiciju valdymas	Elimination effect	Consolidated
LTL	(29.2)	(1.1)	(1.4)	-	(31.7)
EUR	1.8	3.6	(0.4)	-	5.0
USD	(4.2)	-	-	-	(4.2)
LVL	(3.8)	-	-	-	(3.8)
PLN	0.1	-	-	-	0.1
NOK	0.9	-	-	-	0.9
Others	0.6	-	-	-	0.6

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
2013		68	68	82
2012		100	50	50

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
2013	4,521	4,551	9,688	9,646
2012	4,118	4,235	12,154	12,037

2.4 Equity risk

The Group does not have significant exposure to equity risk. Equity risk exposure arises from index linked bonds and deposits. Equity index options which are sold to retail clients are hedged by buying corresponding equity index options from the financial institutions. Open equity option position arises during the trade of index linked bonds in the secondary market or when index linked deposits are redeemed before their maturity. Open option position related to a certain issue of index linked bonds is reduced if market value of the open position is greater than EUR 10 thousand. Open position limitations constraints the Bank to keep equity risk at immaterial levels. There were no new issues during 2013. The open equity option positions were within established limits for all issues of index linked bonds and deposits during 2013.

The equity exposure also consists of investment fund's units held by DNB Investment Management. This small portion of 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.

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

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 risk is controlled on an DNB Group level and restricted by liquidity ratio, set by the Bank of Lithuania 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 for liquidity situation to become worse as 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 and short-term (up to 1 month) risk 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 looking at 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 2013		31 December 2012	
	1 week	1 month	1 week	1 month
Liquidity gap (Group)	988,8	654,9	732,7	364,5
Limit	(1381,1)	(1381,1)	(1381,1)	(1381,1)

Funding ratio shows how stable is the Group's situation in terms of funding. The limit of funding ratio is 0.85, 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 2013	31 December 2012
Funding ratio (Group)	1.19	1.16

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 A+/Stable/A-1 (Standard & Poor's) provided in September 2013) 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.

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 2013	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	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	52,980	2,661	12,802	13,918	-	82,361
Total liabilities						
(contractual maturity dates)	4,989,065	514,884	910,373	4,290,173	12,173	10,716,668

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

FINANCIAL RISK MANAGEMENT (continued)

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	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

Group

31 December 2012

Liabilities	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Due to banks	49,607	224,219	2,574,086	1,296,354	-	4,144,266
Due to customers	4,367,682	520,886	946,803	59,044	15,780	5,910,195
Debt securities in issue	-	-	50,516	22,147	-	72,663
Other financial liabilities	34,010	8,326	13,045	2,457	-	57,838
Total liabilities (contractual maturity dates)	4,451,299	753,431	3,584,450	1,380,002	15,780	10,184,962

Bank

31 December 2012

Liabilities	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Due to banks	49,607	224,219	2,574,086	1,296,354	-	4,144,266
Due to customers	4,369,343	520,886	946,803	59,044	15,780	5,911,856
Debt securities in issue	-	-	50,516	22,147	-	72,663
Other financial liabilities	54,375	7,121	13,114	26,776	-	101,386
Total liabilities (contractual maturity dates)	4,473,325	752,226	3,584,519	1,404,321	15,780	10,230,171

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 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

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

FINANCIAL RISK MANAGEMENT (continued)

31 December 2012	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	1,760	4,034	11,353	14,752	1,867	33,766
- Equity derivatives	780	-	-	-	-	780
- Commodity derivatives	-	-	-	-	-	-
Total	2,540	4,034	11,353	14,752	1,867	34,546

b) Derivatives settled on a gross basis

31 December 2013

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Derivatives held for trading					
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

31 December 2012

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Derivatives held for trading					
Foreign exchange derivatives					
Outflow	902,237	782,158	430,528	916,082	3,031,005
Inflow	903,726	782,029	431,079	916,459	3,033,293
Total outflow	902,237	782,158	430,528	916,082	3,031,005
Total inflow	903,726	782,029	431,079	916,459	3,033,293

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 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
At 31 December 2012				
Guarantees	169,149	167,870	4,115	341,134
Letters of credit	4,605	-	-	4,605
Loan commitments	517,930	299,729	21,889	839,548
Finance lease commitments	8,501	-	-	8,501
Operating lease commitments	8,342	-	-	8,342
Other commitments	2,786	3,863	5,144	11,793
Total	711,313	471,462	31,148	1,213,923

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

FINANCIAL RISK MANAGEMENT (continued)

Bank

	Up to one year	From 1 to 5 years	Over 5 years	Total
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
At 31 December 2012				
Guarantees	207,881	355,187	4,115	567,183
Letters of credit	4,605	-	-	4,605
Loan commitments	925,884	299,729	21,889	1,247,502
Operating lease commitments	2,069	-	-	2,069
Other commitments	2,786	3,863	5,144	11,793
Total	1,143,225	658,779	31,148	1,833,152

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 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	37,924	35,643	377,994	352,719
Finance lease receivables of which:	351,657	328,143	-	-
-Individuals	39,330	36,700	-	-
-Business customers	312,327	291,443	-	-
Liabilities				
Due to banks	4,200,763	4,271,467	4,200,763	4,271,467
Due to customers	6,252,718	6,259,543	6,256,532	6,263,358
Debt securities in issue	13,464	13,722	13,464	13,722

As at 31 December 2012

	Group		Bank	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Loans and advances to customers of which:	8,560,769	8,018,633	8,967,084	8,238,064
-Loans to individuals	3,906,053	3,658,690	3,906,053	3,588,493
-Loans to business customers	4,651,978	4,357,378	4,770,327	4,382,502
-Loans and advances to financial institutions	2,738	2,565	290,704	267,070
Finance lease receivables of which:	295,793	277,061	-	-
-Individuals	32,054	30,024	-	-
-Business customers	263,739	247,037	-	-
Liabilities				
Due to banks	4,099,366	4,081,441	4,099,366	4,081,441
Due to customers	5,884,500	5,888,615	5,886,161	5,897,537
Debt securities in issue	70,558	71,687	70,558	71,687

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

FINANCIAL RISK MANAGEMENT (continued)

Next two 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 2013.

Valuation of all financial assets and liabilities measured at fair value was performed as at December 31, 2013.

Group

As at 31 December 2013

	Level 1	Level 2	Level 3	Total
Derivative financial assets (Note 15):				
FX forwards, swaps, put, call options	-	2,245	-	2,245
Interest rate swaps, collars	-	5,200	-	5,200
Equity linked options	-	2,384	-	2,384
Commodity forwards	-	2,696	-	2,696
	-	12,525	-	12,525
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	1,436	-	-	1,436
	822,980	-	-	822,980
	876,486	12,525	-	889,011
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

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

FINANCIAL RISK MANAGEMENT (continued)

Bank

As at 31 December 2013

Derivative financial assets (Note 15):

	Level 1	Level 2	Level 3	Total
FX forwards, swaps, put, call options	-	2,245	-	2,245
Interest rate swaps, collars	-	5,200	-	5,200
Equity linked options	-	2,384	-	2,384
Commodity forwards	-	2,696	-	2,696
	-	12,525	-	12,525

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	815,557	-	-	815,557
Equity securities	920	-	-	920
	816,477	-	-	816,477
	869,983	12,525	-	882,508

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

As at 31 December 2012

Financial assets

	Level 1	Level 2	Level 3	Total
FX forwards, swaps, put, call options	-	5,621	-	5,621
Interest rate swaps, collars	-	10,143	-	10,143
Equity linked options	-	879	-	879
	-	16,643	-	16,643

Financial assets held-for-trading

Government debt securities	50,848	-	-	50,848
	50,848	-	-	50,848

Financial assets designated at fair value through profit or loss

Government debt securities	619,743	-	-	619,743
	619,743	-	-	619,743

Financial investments available-for-sale

Equity securities	952	-	-	952
	952	-	-	952
	671,543	16,643	-	688,186

Financial liabilities

FX forwards, swaps, put, call options	-	4,710	-	4,710
Interest rate swaps, collars	-	21,512	-	21,512
	-	26,222	-	26,222

Figures for the Group as at 31 December 2012 do not differ materially, mainly debt securities in Financial assets designated at fair value (in amount of LTL 6,591 thousand) would increase the positions of level 1 (Note 14).

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

FINANCIAL RISK MANAGEMENT (continued)

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.

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 2013 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, including lending and investment. 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 new trainings. As in previous years, in October 2013 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.

Since the Bank was intensely preparing the switch to the new main IT system in 2013, in the 2nd quarter of the year there was done a risk assessment related with the new system and it's impact on the Bank's activity (corporate, internal and IT processes), on purpose to find out the biggest threats and to provide the measures for potential risk controlling. In the 2nd half-year of 2013 the Bank has successfully made final changes and finalized new information system implementation project.

In 2014 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 unified IT platform stabilization, 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. 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.

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

FINANCIAL RISK MANAGEMENT (continued)

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 and part of investments in financial institutions,
- 2) Tier 2 capital consists of subordinated loans, other reserves and less part of investments in financial institutions.

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.

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 2013 and 2012, the Group complied with the capital requirements to which it is subject.

	Group		Bank	
	2013	2012	2013	2012
Tier 1 capital	1,374,463	1,296,855	1,320,901	1,235,273
Tier 2 capital	706	706	-	-
Total capital	1,375,169	1,297,561	1,320,901	1,235,273
Risk weighted assets	8,251,800	8,352,450	8,570,650	8,626,900
Tier1 capital ratio, %	16.66	15.53	15.41	14.32
Capital ratio, %	16.67	15.54	15.41	14.32

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 eligible collaterals	guarantees	Exposure net of value adjustments and provisions	Total exposure value covered by eligible collaterals	guarantees
Central governments or central banks	185,094	-	-	185,094	-	-
Regional governments or local authorities	1,041,654	-	-	1,041,654	-	-
Administrative bodies and non-commercial undertakings	75,717	700	668	62,770	700	668
Institutions	948,846	37,908	-	948,846	37,908	-
Corporates	3,970,942	4,069	42,886	4,887,035	4,283	42,885
Retail	2,217,280	14,429	77,209	2,034,265	14,485	77,198
Secured on real estate property	2,909,318	2,909,318	-	2,908,550	2,908,550	-
Past due items	648,135	-	7,355	605,401	-	7,355
Other items	767,158	-	-	635,548	-	-
Total	12,764,144	2,966,424	128,118	13,309,163	2,965,926	128,106

The exposure values covered by eligible collateral are shown after application of the volatility adjustments. The Bank and the Group did not have any exposures covered by credit derivatives either in 2013 or in 2012.

The Group calculates the internal capital for the risks not covered or not fully covered by the Pillar I capital as part of 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 Group uses economic capital (risk-adjusted capital, RAC) model as an alternative calculation in ICAAP for comparison with total internal capital requirement which consists of regulatory required capital and additional internal capital requirement.

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

FINANCIAL RISK MANAGEMENT (continued)

The concentration risk is assessed for asset classes exposed to credit risk and is measured by means of Hirschman–Herfindahl index. Besides the imposed limits on lending the Group calculates the internal capital requirement for concentration risk according to the estimated risk level.

The residual risk is the risk that the Bank's and the Group's credit risk mitigation techniques will appear to be less effective than expected. Therefore the Bank assumes the increase of the risky assets due to occurrence of the residual risk which leads to the higher capital requirement.

Risk related with lending in foreign currencies is risk that the Group's customers will be unable to meet their payment obligations towards the Group because of significant appreciation in value of the lending currency with respect to local currency. Additional capital is needed to cover potential credit losses, which would arise due to adverse changes in foreign exchange rates but not because of an ordinary deterioration in the customer credit quality.

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, residual risk and risk related with lending in foreign currencies.

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 decreased significantly by the end of 2013 due to successfully finished implementation of new core banking IT system.

Business risk is the risk of losses due to external factors such as the market situation (economic cycle risk) or strategic decisions (strategic risk). The main parameters used for business risk internal capital add-on evaluation are the volatility of GDP, the Bank's market share movements.

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.

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

SEGMENT INFORMATION

The Group is organised into these main business segments based on products, services and legal organisation: banking, leasing, investment management, real estate brokerage and real estate management, development and sale. Transactions between the business segments are on normal commercial terms and conditions, transfer prices between operating segments are on arm's length basis. Funds are ordinary reallocated between segments, resulting in funding cost transfers disclosed in operating income. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2013 or 2012.

Year ended 31 December 2013

	Banking	Leasing	Invest- ment manage- ment	Real estate brokerage	Real estate management, development and sale	Eliminations	Group
Third party	274,408	12,954	181	-	-	-	287,543
Inter-segment	6,126	11	-	-	-	(6,137)	-
Total interest income	280,534	12,965	181	-	-	(6,137)	287,543
Third party	(74,427)	-	(3)	-	-	-	(74,430)
Inter-segment	-	(3,245)	-	(5)	(2,876)	6,126	-
Total interest expense	(74,427)	(3,245)	(3)	(5)	(2,876)	6,126	(74,430)
Third party	199,981	12,954	178	-	-	-	213,113
Inter-segment	6,126	(3,234)	-	(5)	(2,876)	(11)	-
Net interest income	206,107	9,720	178	(5)	(2,876)	(11)	213,113
Third party	119,786	(92)	6,053	677	-	(2,787)	123,637
Inter-segment	7,603	(4,261)	(2,101)	475	(3)	(1,713)	-
Net income from the other main operations	127,389	(4,353)	3,952	1,152	(3)	(4,500)	123,637
Third party	(268,356)	2,827	(1,493)	(596)	(5,222)	-	(272,840)
Inter-segment	(137)	(1,224)	(140)	(25)	(198)	1,724	-
Total administrative and other operating expenses/ income	(268,493)	1,603	(1,633)	(621)	(5,420)	1,724	(272,840)
Depreciation and amortisation	(11,735)	(21)	(5)	(26)	(10)	-	(11,797)
Impairment losses and provisions	(182)	2,790	-	(34)	(4,694)	-	(2,120)
Profit (loss) before tax	53,086	9,739	2,492	466	(13,003)	(2,787)	49,993
Income tax	(2)	-	(379)	(74)	-	-	(455)
Change of deferred tax	(4,000)	-	49	-	-	-	(3,951)
Net profit (loss)	49,084	9,739	2,162	392	(13,003)	(2,787)	45,587
Capital expenditure	10,448	-	27	31	11	-	10,517
Shareholders' equity	1,454,095	73,675	6,760	1,783	134,465	(238,094)	1,432,684
Total assets	12,036,511	417,646	7,745	2,575	267,042	(757,038)	11,974,481
Total liabilities	10,582,416	343,971	985	792	132,577	(518,944)	10,541,797

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

SEGMENT INFORMATION (continued)

Year ended 31 December 2012

	Banking	Leasing	Invest- ment manage- ment	Real estate brokerage	Real estate management, development and sale	Eliminations	Group
Third party	348,145	16,656	206	-	-	-	365,007
Inter-segment	8,962	26	1	-	-	(8,989)	-
Total interest income	357,107	16,682	207	-	-	(8,989)	365,007
Third party	(123,410)	-	(3)	-	-	-	(123,413)
Inter-segment	(3)	(5,901)	-	(4)	(3,057)	8,965	-
Total interest expense	(123,413)	(5,901)	(3)	(4)	(3,057)	8,965	(123,413)
Third party	224,735	16,656	203	-	-	-	241,594
Inter-segment	8,959	(5,875)	1	(4)	(3,057)	(24)	-
Net interest income	233,694	10,781	204	(4)	(3,057)	(24)	241,594
Third party	115,595	(92)	5,571	564	-	(2,645)	118,993
Inter-segment	7,675	(4,162)	(2,017)	211	(2)	(1,705)	-
Net income from the other main operations	123,270	(4,254)	3,554	775	(2)	(4,350)	118,993
Third party	(220,198)	258	(1,269)	(523)	(3,096)	-	(224,828)
Inter-segment	(49)	(1,458)	(124)	(25)	(73)	1,729	-
Total administrative and other operating expenses/ income	(220,247)	(1,200)	(1,393)	(548)	(3,169)	1,729	(224,828)
Depreciation and amortisation	(11,980)	(107)	(13)	(20)	(5)	-	(12,125)
Impairment losses and provisions	(40,514)	(2,564)	-	(37)	-	-	(43,115)
Profit (loss) before tax	84,223	2,656	2,352	166	(6,233)	(2,645)	80,519
Income tax	-	-	-	(18)	-	-	(18)
Change of deferred tax	-	-	(77)	-	-	-	(77)
Net profit (loss)	84,223	2,656	2,275	148	(6,233)	(2,645)	80,424
Capital expenditure	13,566	-	2	29	32	-	13,629
Shareholders' equity	1,396,980	71,967	7,385	1,391	110,937	(201,563)	1,387,097
Total assets	11,580,673	364,821	7,844	2,047	232,966	(662,770)	11,525,581
Total liabilities	10,183,693	292,854	459	656	122,029	(461,207)	10,138,484

The Group operates in one geographical segment – Lithuania.

The main capital expenditures used by the Group to acquire assets that are expected to be used during more than one period (property, plant, equipment and intangible assets) belong to geographical segment "Lithuania".

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

OTHER NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NET INTEREST INCOME

	Group		Bank	
	2013	2012	2013	2012
Interest income:				
on due from banks	2,454	4,994	2,454	4,994
on loans and advances to customers	263,254	326,085	269,380	335,047
on finance lease receivables	12,954	16,656	-	-
Total	278,662	347,735	271,834	340,041
on financial assets held for trading	1,252	1,878	1,252	1,878
on financial assets designated at fair value through profit or loss	7,629	15,394	7,448	15,188
Total interest income	287,543	365,007	280,534	357,107
Interest expense				
on due to banks	28,954	62,031	28,954	62,031
on deposits and other repayable funds from customers	16,164	33,562	16,164	33,565
on debt securities issued	1,935	3,092	1,935	3,092
on subordinated loans	-	276	-	276
fees for compulsory insurance of deposits	27,377	24,452	27,374	24,449
Total interest expense	74,430	123,413	74,427	123,413
Net interest income	213,113	241,594	206,107	233,694

NOTE 2 NET FEE AND COMMISSION INCOME

	Group		Bank	
	2013	2012	2013	2012
Fee and commission income:				
on assets under management	837	998	837	998
money transfer operations	50,771	41,493	50,801	41,522
payment cards services	27,700	27,855	27,700	27,855
securities operations	3,613	2,713	3,618	2,735
currency (EUR) exchange	10,071	8,314	10,071	8,314
trust and other fiduciary activities	6,803	5,907	731	605
guarantee commissions	5,103	3,889	7,287	6,183
commissions for intermediation	3,163	5,659	6,738	7,566
other	11,983	5,913	12,577	8,506
Total fee and commission income	120,044	102,741	120,360	104,284
Fee and commission expense:				
money transfer operations	1,964	1,768	1,968	1,770
payment cards services	17,915	16,395	17,915	16,395
securities operations	1,145	1,985	1,145	1,985
currency (EUR) exchange	2,683	303	2,683	303
trust and other fiduciary activities	692	496	692	496
other	988	762	450	405
Total fee and commission expense	25,387	21,709	24,853	21,354
Net fee and commission income	94,657	81,032	95,507	82,930

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

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

	Group		Bank	
	2013	2012	2013	2012
Trading securities				
Debt securities:				
Realized gain (loss)	5,896	7,755	5,896	7,755
Unrealized gain (loss)	(2,175)	(520)	(2,175)	(520)
Net gain (loss) from trading securities	3,721	7,235	3,721	7,235
Derivative financial instruments				
Realized gain (loss)	(11,061)	(10,401)	(11,061)	(10,401)
Unrealized gain (loss)	(2,999)	6,676	(2,999)	6,676
Net gain (loss) from derivative financial instruments	(14,060)	(3,725)	(14,060)	(3,725)
Securities designated at fair value through profit or loss				
Realized gain (loss)	499	272	504	3
Unrealized gain (loss)	(1,932)	8,052	(1,922)	8,052
Net gain (loss) on securities designated at fair value through profit or loss	(1,433)	8,324	(1,418)	8,055
Realized gain (loss) from operations with debt securities issued	(442)	358	(442)	358
Net gain (loss) from sale of equity securities	(3)	-	(3)	-
Received dividends	11	15	2,798	2,660
Total	(12,206)	12,207	(9,404)	14,583

NOTE 4 IMPAIRMENT LOSSES AND PROVISIONS

	Group		Bank	
	2013	2012	2013	2012
Impairment losses on loans:				
Increase of impairment losses, net	4,364	40,506	4,364	40,506
Recovered previously written off loans	(4,990)	(5,232)	(4,990)	(5,232)
Total impairment losses on loans	(626)	35,274	(626)	35,274
Impairment losses on finance lease receivables (Note 19)	(10,351)	(5,106)	-	-
Impairment losses for other assets	9,969	9,215	-	1,508
Changes in fair value of investment property	2,320	-	-	-
Expenses for provisions on guarantees	(237)	(468)	(8,268)	(4,673)
Other provisions	1,045	4,200	1,045	4,200
Total	2,120	43,115	(7,849)	36,309

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

NOTE 5 OTHER INCOME

	Group		Bank	
	2013	2012	2013	2012
Net gain (loss) on sale of property and other security	5,736	2,790	2,160	1,397
On rent of property	569	449	623	518
On services related to IT development	7,923	8,074	7,923	8,074
On operating lease	16	147	-	-
VAT receivable	2,184	-	2,184	-
Other	10,912	6,788	7,541	4,604
Total	27,340	18,248	20,431	14,593

NOTE 6 PERSONNEL EXPENSES

	Group		Bank	
	2013	2012	2013	2012
Salaries	73,911	72,243	71,125	70,020
Social insurance	25,554	24,200	24,693	23,514
Training and business trip expenses	2,424	2,358	2,351	2,324
Other	13,929	9,819	13,929	9,819
Total	115,818	108,620	112,098	105,677

NOTE 7 DEPRECIATION AND AMORTISATION

	Group		Bank	
	2013	2012	2013	2012
Amortisation of intangible assets	1,866	1,554	1,850	1,532
Depreciation of property, plant and equipment assets	9,931	10,571	9,885	10,448
Total	11,797	12,125	11,735	11,980

NOTE 8 OTHER ADMINISTRATIVE EXPENSES

	Group		Bank	
	2013	2012	2013	2012
Rent of premises and maintenance expenses	14,567	15,006	14,339	14,787
Transportation, post and communications expenses	10,201	11,718	9,676	11,238
Advertising and marketing expenses	4,715	4,151	4,433	3,863
Office equipment and maintenance expenses	88,803	44,849	88,628	44,595
Cash collection, consultancy and other services expenses	13,002	17,361	12,603	17,170
Taxes other than income tax	30,298	22,691	28,590	21,366
Foreclosed assets expenses	3,321	1,328	3,228	1,052
Other expenses	19,439	17,267	15,329	15,092
Total	184,346	134,371	176,826	129,163

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

NOTE 9 INCOME TAX

	Group		Bank	
	2013	2012	2013	2012
Current tax for the year	455	18	2	-
Change of deferred tax asset (see below)	3,951	77	4,000	-
Total	4,406	95	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	
	2013	2012	2013	2012
Profit (loss) before income tax	49,993	80,519	61,117	88,428
Tax calculated at a tax rate of 15%	7,499	12,078	9,168	13,264
Income not subject to tax	(4,391)	(2,148)	(3,941)	(1,941)
Expenses not deductible for tax purposes	4,515	6,690	3,560	6,556
Change in unrecognised deferred tax asset	(3,217)	(16,525)	(4,785)	(17,879)
Income tax charge	4,406	95	4,002	-

Movement in deferred tax asset

At the beginning of the year	29,755	29,839	29,804	29,804
Charge (credit) to equity (Note 31)	-	(7)	-	-
Income statement credit (charge)	(3,951)	(77)	(4,000)	-
At the end of the year	25,804	29,755	25,804	29,804

15% tax rate was used to calculate deferred income taxes in 2013 and 2012.

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 2012	2,400	117	2,517
Charged/ (credited) in income statement	347	896	1,243
As at 1 January 2013	2,747	1,013	3,760
Charged/ (credited) in income statement	259	(548)	(289)
As at 31 December 2013	3,006	465	3,471

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

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 2012	1,286	314	30,324	432	32,356
Charged/ (credited) in income statement	219	(300)	1,154	93	1,166
Charged/ (credited) to equity	-	(7)	-	-	(7)
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 31 December 2013	1,725	130	26,820	600	29,275

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 2013 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 adverse 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 2013 the Group has LTL 257 million of unused tax losses which have no expiry date and unused tax losses which expire in 2016 in amount LTL 15 million (unused tax losses as at 31 December 2012 were equal to LTL 302 million and LTL 15 million respectively). As at 31 December 2013 the Group has LTL 4,7 million a temporary difference (LTL 0 as at 31 December 2012) 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 2012	2,400	117	2,517
Charged/ (credited) in income statement	347	839	1,186
As at 1 January 2013	2,747	956	3,703
Charged/ (credited) in income statement	259	(491)	(232)
As at 31 December 2013	3,006	465	3,471

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

NOTE 9 INCOME TAX (continued)

Bank – deferred income tax asset

	Depreciation of long-term assets	Valuation of securities	Tax losses	Accrued expenses/d eferred income	Total
As at 1 January 2012	1,286	297	30,324	414	32,321
Charged/ (credited) in income statement	219	(290)	1,154	103	1,186
Charged/ (credited) to equity	-	-	-	-	-
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 31 December 2013	1,725	130	26,820	600	29,275

As at 31 December 2013 the Bank has LTL 184 million of unused tax losses to carry forward which has no expiry date (LTL 240 million as at 31 December 2012).

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	
	2013	2012	2013	2012
Deferred income tax assets	29,275	33,515	29,275	33,507
Deferred income tax liabilities	(3,471)	(3,760)	(3,471)	(3,703)
As presented in statement of financial position	25,804	29,755	25,804	29,804

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

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 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

Calculation of weighted average for 2012	Note	Number of shares	Par value	Issued/ 366 (days)	Weighted average
Shares issued as of 31 December 2011		5,710,134	115	365/365	5,710,134
Shares issued as of 31 December 2012	31	5,710,134	115	366/366	5,710,134

	2013 Group	2012 Group
Profit attributed to equity holders of the parent	45,587	80,424
Weighted average number of issued shares (units)	5,710,134	5,710,134
Earnings per share (LTL per share)	7.98	14.08

The 2013 and 2012 diluted earnings per share ratios are the same as basic earnings per share.

NOTE 11 CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2013	2012	2013	2012
Cash and other valuables	297,796	297,919	297,796	297,919
Placements with Central Bank:				
Compulsory reserves in national currency	185,089	237,244	185,089	237,244
Total	482,885	535,163	482,885	535,163

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% (2012: 4%) 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

	Group		Bank	
	2013	2012	2013	2012
Due from banks				
Demand deposits	275,829	149,071	275,829	149,071
of which funds to secure the derivatives deals	13,224	13,639	13,224	13,639
Term deposits	569,755	839,213	569,755	839,213
Short term loans	-	29,319	-	29,319
Total	845,584	1,017,603	845,584	1,017,603

There were no allowances for impairment against due from banks neither at Bank nor at the Group level as of end of 2013 and 2012. Respectively, there were no changes in allowance for loan impairment and write-offs for such due and allowances in 2013 and 2012.

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

NOTE 13 FINANCIAL ASSETS HELD FOR TRADING

Group (Bank)

	2013			2012		
	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	49,313	-	-	33,341	-	-
Government bonds of foreign issuers	1,649	-	-	17,507	-	-
Debt securities of foreign entities	2,544	-	-	-	-	-
Total	53,506	-	-	50,848	-	-

There were no movement of securities between valuation techniques during 2013 and 2012.

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

Group

	2013			2012		
	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	821,544	-	-	626,334	-	-
Equity securities						
Units of funds	516	-	-	644	-	-
Other	920	-	-	-	-	-
Total	822,980	-	-	626,978	-	-

Bank

	2013			2012		
	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	815,557	-	-	619,743	-	-
Equity securities						
Units of funds	-	-	-	-	-	-
Other	920	-	-	-	-	-
Total	816,477	-	-	619,743	-	-

There were no movement of securities between valuation techniques during 2013 and 2012.

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

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

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

Group	2013		2012	
	%	Maturity (in years)	%	Maturity (in years)
Government bonds of the Republic of Lithuania	0.67	0.81	0.78	0.75

Bank	2013		2012	
	%	Maturity (in years)	%	Maturity (in years)
Government bonds of the Republic of Lithuania	0.67	0.81	0.76	0.73

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:

- Currency forwards, which represent commitments to purchase and/or sell foreign and domestic currency in the future at a fixed price.
- Foreign exchange swap deals – agreements to exchange different currencies at an agreed rate for a certain time period. At the same time it is agreed to buy and at later date to sell a certain amount of the same currency for another currency.
- Interest rate swaps – contractual agreements according to which a cash flow based on the fixed interest rate calculated on the notional amount is replaced with a cash flow based on the floating interest rate calculated on the same notional amount or vice versa. In addition, interest rate swaps of floating vs. floating or fixed vs. fixed interest rate cash flows as well as those where currencies are swapped in addition to the interest rates can be contracted.
- Interest rate collars – agreements that set limits on a variable interest rate payable by the buyer: the buyer has the right to receive compensation when an interest rate exceeds a certain level (ceiling) and an obligation to pay compensation when an interest rate falls below a certain level (floor). Upon making the agreement, the buyer of a collar pays or receives (depending on the terms) an initial payment – a premium.
- Option deals on currencies, equity and commodities – agreements by which the seller grants a non-obligating right to the buyer on a certain date to buy (call option) or to sell (put option) an underlying of such an agreement (currency, equity or commodities) for a price agreed beforehand. For equities and commodities, the Group uses only options that are executed in cash – that is the seller pays to the buyer a certain amount that depends on the price change, if such change was in the buyer's favour. The buyer pays a certain commission or premium to the seller in advance, when the deal is made. The Group seeks to use option deals without taking any additional risk: when a deal is made with the client, at the same time opposite deals are made with other banks.

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 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
As at 31 December 2012				
FX forwards, swaps, put, call options	3,033,293	3,031,005	5,621	4,710
Interest rate swaps, collars	1,111,866	1,100,645	10,143	21,512
Equity linked options	38,929	-	879	-
Total	4,184,088	4,131,650	16,643	26,222

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

NOTE 16 FINANCIAL ASSETS - AVAILABLE FOR SALE

Group (Bank)

	2013			2012		
	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	-	-	-	-	-	-
Equity securities	-	-	-	952	-	-
Total	-	-	-	952	-	-

Total amount of available for sale securities are unimpaired assets. There were no movement of securities between valuation techniques during 2013 and 2012.

NOTE 17 LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2013	2012	2013	2012
Loans and advances to financial institutions	37,924	2,738	377,994	290,704
Loans to business customers:				
- Public authorities, state and municipal entities	957,642	785,790	957,642	785,790
- Large corporates	2,447,262	2,478,704	2,447,262	2,478,704
- SMEs	1,509,724	1,569,820	1,639,472	1,688,169
- Farmers	281,959	250,088	281,959	250,088
- Other	3,230	2,423	3,230	2,423
Total loans to business customers	5,199,817	5,086,825	5,329,565	5,205,174
Loans to individuals (retail):				
- Consumer loans	181,565	180,168	181,565	180,168
- Mortgages	4,065,835	3,923,518	4,065,835	3,923,518
- Loans secured by equity linked bonds issued by Bank	30,498	41,319	30,498	41,319
- Other	22,404	24,643	22,404	24,643
Total loans to individuals (retail)	4,300,302	4,169,648	4,300,302	4,169,648
Total gross loans granted	9,538,043	9,259,211	10,007,861	9,665,526
Total allowance for impairment:				
to financial institutions	(596,016)	(698,442)	(596,016)	(698,442)
to business customers	(362,787)	(434,847)	(362,787)	(434,847)
to individuals	(233,229)	(263,595)	(233,229)	(263,595)
Total net loans and advances to customers	8,942,027	8,560,769	9,411,845	8,967,084

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

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

NOTE 17 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 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

31 December 2012

	Group and Bank loans to individuals (retail)	Group and Bank loans to business customers
Balance as at 1 January 2012	270,734	531,578
Change in allowance for loan impairment	33,072	6,853
Loans written off during the year as uncollectible	(40,211)	(103,584)
As at 31 December 2012	263,595	434,847
Individual impairment	247,862	423,134
Collective impairment	15,733	11,713
	263,595	434,847

Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance

578,842 992,965

Net change in allowance for loan impairment accounts for LTL 1,920 thousand in the year ended 31 December, 2013 (2012: LTL 39,925 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 2013. Respectively, there were no changes in allowance for loan impairment and write-offs for such loans and allowances in 2013 and 2012.

NOTE 18 OFFSETTING

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.

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

NOTE 19 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 2012	174,291	198,982	10,133	383,406
Change during 2013	(2,397)	41,465	(762)	(38,306)
Balance as at 31 December 2013	171,894	240,447	9,371	421,712
Unearned finance income on finance leases				
Balance as at 31 December 2012	8,069	9,621	692	18,382
Change during 2013	750	1,377	(206)	1,921
Balance as at 31 December 2013	8,819	10,998	486	20,303
Net investments in finance leases before impairment				
31 December 2012	166,222	189,361	9,441	365,024
31 December 2013	163,075	229,449	8,885	401,409
Changes in impairment				
Balance as at 31 December 2011	41,569	36,027	407	78,003
Increase (decrease) in impairment (Note 4)	(4,159)	(973)	26	(5,106)
Lease receivables written-off during the year as uncollectible	-	(3,666)	-	(3,666)
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
Net investments in finance leases after impairment				
31 December 2012	128,812	157,973	9,008	295,793
31 December 2013	128,067	214,809	8,781	351,657

NOTE 20 INVESTMENTS IN SUBSIDIARIES

	Share	Nominal value	2013		2012
			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%	123,478	-	123,478	108,085
UAB Industrious	99,90%	40,209	-	40,209	19,071
Total			(105,966)	237,756	201,225

In 2012 AB DNB Bankas acquired 99.79 percent newly issued shares of UAB Industrious from its subsidiary UAB Intractus, by making contributions/payments in kind. In 2013 additional 0.11 percent was acquired. During the reported period the Bank did not sell its own shares or the shares of its subsidiaries to third parties.

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

NOTE 21 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and premises	Vehicles	Equipment	Total
Cost:				
At 1 January 2012	98,625	1,311	76,608	176,544
Acquisitions	-	1,487	8,134	9,621
Disposals and write-offs	-	(1,096)	(1,440)	(2,536)
At 31 December 2012	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
Depreciation and impairment:				
At 1 January 2012	27,436	938	57,152	85,526
Disposals and write-offs	-	(864)	(1,431)	(2,295)
Depreciation charge for year	2,351	158	8,062	10,571
At 31 December 2012	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
Net book value:				
At 1 January 2012	71,189	373	19,456	91,018
At 31 December 2012	68,838	1,470	19,519	89,827
At 31 December 2013	66,676	1,286	17,293	85,255
Economic life (in years)	50	6	3-10	-
The cost of fully depreciated property, plant and equipment that is still in use:				
31 December 2012	6,049	-	38,221	44,270
31 December 2013	6,852	-	40,552	47,404

The movements under operating lease agreements (from the total Group assets amount stated above) were as follows:

	Vehicles	Total
Cost:		
At 1 January 2012	1,311	1,311
Acquisitions	-	-
Disposals and write-offs	(1,096)	(1,096)
At 31 December 2012	215	215
Acquisitions	-	-
Disposals and write-offs	215	215
At 31 December 2013	-	-
Depreciation and impairment:		
At 1 January 2012	938	938
Disposals and write-offs	(864)	(864)
Depreciation charge for year	104	104
At 31 December 2012	178	178
Disposals and write-offs	(198)	(198)
Depreciation charge for year	20	20
At 31 December 2013	-	-
Net book value:		
At 1 January 2012	373	373
At 31 December 2012	37	37
At 31 December 2013	-	-
Economic life (in years)	6	-

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

NOTE 21 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank	Buildings and premises	Vehicles	Equipment	Total
Cost:				
At 1 January 2012	98,625	-	76,222	174,847
Acquisitions	-	1,219	8,088	9,307
Disposals and write-offs	-	-	(1,440)	(1,440)
At 31 December 2012	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
Depreciation and impairment:				
At 1 January 2012	27,436	-	56,795	84,231
Disposals and write-offs	-	-	(1,431)	(1,431)
Depreciation charge for year	2,351	54	8,043	10,448
At 31 December 2012	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
Net book value:				
At 1 January 2012	71,189	-	19,427	90,616
At 31 December 2012	68,838	1,165	19,463	89,466
At 31 December 2013	66,676	964	17,344	84,984
Economic life (in years)	50	6	3-10	-

No assets were pledged to a third party as at 31 December 2013 and 31 December 2012.

The Bank (Group) had ownership title to all of the intangible assets, property and equipment as at 31 December 2013 and 31 December 2012.

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

31 December 2012	6,049	-	37,886	43,935
31 December 2013	6,852	-	40,205	47,057

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

NOTE 22 INVESTMENT PROPERTY

Group

	Land plots		Buildings						Total 2013	Total 2012
	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		
Book value as at 1 January	46,015	9,989	61,282	62,681	20,197	13,878	9,904	3,101	227,047	138,899
Acquisitions	13,201	-	19,747	13,292	111	-	-	-	46,351	83,770
Additions, capitalised investments	46	-	997	1,019	328	-	-	-	2,390	8,563
Disposals (sale)	(319)	-	(15)	(1,299)	-	-	-	-	(1,633)	(76)
Classified as held for sale	(16,064)	(932)	(18,746)	(8,101)	(199)	-	-	-	(44,042)	(4,109)
Net gains resulting from adjustment to fair value	3,234	3,893	(1,256)	(4,168)	-	(1,158)	(3,024)	159	(2,320)	-
Book value as at 31 December	46,113	12,950	62,009	63,424	20,437	12,720	6,880	3,260	227,793	227,047

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 (LTL 9,900 thousand as at 31 December 2012).

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

	Level 1	Level 2	Level 3	Total 2013	Total 2012
Rental income from investment properties	-	451	1,043	1,494	878
Direct expenses (including repairs and maintenance) related to investment properties generating rental income	-	88	203	291	68
Direct expenses (including repairs and maintenance) related to investment properties not generating rental income	-	2,549	44	2,593	1,306

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 2013. There were no reclassifications of investment property made between levels during 2013.

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).

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

NOTE 22 INVESTMENT PROPERTY (continued)

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 (1-30 LTL price per sqm per month)
- Exit yield (capitalization rate) (7.0-11.50%)
- Discount rate (9.5-13.90%)

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 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:

	Average prices per are in 2013, in LTL thousand	Average prices per are in 2012, in LTL thousand
Land plots		
Residential	2.0 - 80.0	2.0 - 80.0
Other	0.1 - 15.0	0.1 - 15.0
	Average prices per sq.m. in 2013, in LTL thousand	Average prices per sq.m. in 2012, in LTL thousand
Buildings		
Commercial	0.5 - 10.0	0.5 - 10.0
Residential	0.5 - 8.0	0.5 - 8.0
Other	0.1 - 6.0	0.1 - 6.0

NOTE 23 INTANGIBLE ASSETS

	Group	Bank
Cost		
As at 1 January 2012	23,468	22,099
Acquisitions	4,276	4,259
Disposals and write-offs	(60)	(60)
Other changes	2	-
At 31 December 2012	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
Amortisation and impairment		
At 1 January 2012	17,203	15,868
Disposals	(60)	(60)
Other changes	2	-
Amortisation	1,554	1,532
At 31 December 2012	18,699	17,340
Disposals	(2,256)	(2,231)
Amortisation	1,866	1,850
At 31 December 2013	18,309	16,959
Net book value:		
At 1 January 2012	6,265	6,231
At 31 December 2012	8,987	8,958
At 31 December 2013	11,803	11,758
Economic life (in years)	3-5	5

No assets were pledged to a third party as at 31 December 2013 and 31 December 2012. Intangible assets include purchased computer software and software licences.

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

31 December 2012	15,048	13,723
31 December 2013	13,481	12,161

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

NOTE 24 OTHER ASSETS

	Group		Bank	
	2013	2012	2013	2012
Accrued income and deferred expenses	4,875	5,487	4,948	5,685
Reposessed assets	40,456	19,440	32,908	19,440
Assets bought for leasing activities	528	491	-	-
Prepayments and receivables	10,732	8,098	8,542	5,312
Other assets	4,003	8,322	3,583	3,980
Retrieved assets under cancelled lease contracts	38,664	31,629	-	-
Gross	99,258	73,467	49,981	34,417
Less: allowance for impairment of retrieved assets under cancelled lease contracts	(25,874)	(20,361)	-	-
allowance for impairment of other assets	(951)	(2,612)	(138)	(1,637)
Total	72,433	50,494	49,843	32,780

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				Total 2013	Total 2012
	Residen- tial Level 2	Other Level 2	Other Level 3	Commer- cial Level 2	Residen- tial Level 2	Other Level 2	Level 3		
Book value as at 1 January	340	-	-	1,608	12,709	65	-	14,722	869
Acquisitions	-	-	-	-	5	-	-	5	-
Additions, capitalised investments	-	12	-	-	-	-	-	12	-
Additions (movement from reposessed assets)	-	-	-	-	273	-	-	273	10,404
Additions (movement from investment property)	-	16,064	932	18,746	8,101	199	-	44,042	4,109
Disposals (sale)	(340)	(1,788)	-	(1,999)	(12,324)	-	-	(16,451)	(660)
Net gains resulting from adjustment to fair value	-	(988)	358	(1,744)	-	-	-	(2,374)	-
Book value as at 31 December	-	13,300	1,290	16,611	8,764	264	-	40,229	14,722

Bank

	Land plots			Buildings				Total 2013	Total 2012
	Residen- tial Level 2	Other Level 2	Other Level 3	Commer- cial Level 2	Residen- tial Level 2	Other Level 2	Level 3		
Book value as at 1 January	340	-	-	-	10,064	-	-	10,404	2
Acquisitions	-	-	-	-	-	-	-	-	-
Additions, capitalised investments	-	-	-	-	-	-	-	-	-
Additions (movement from reposessed assets)	-	-	-	-	273	-	-	273	10,404
Additions (movement from investment property)	-	-	-	-	-	-	-	-	-
Disposals (sale)	(340)	-	-	-	(6,793)	-	-	(7,133)	(2)
Net gains resulting from adjustment to fair value	-	-	-	-	-	-	-	-	-
Book value as at 31 December	-	-	-	-	3,544	-	-	3,544	10,404

During the year, the Group took possession of a real estate with a carrying value of LTL 40,229 thousand at the year end (in 2012 LTL 14,722 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 2013. There were no reclassifications of assets between levels during 2013. For more details on fair value measurement refer to Note 22.

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

NOTE 26 DUE TO BANKS

	Group		Bank	
	2013	2012	2013	2012
<u>Funds of banks</u>				
Demand deposits	57,727	43,165	57,727	43,165
Term deposits	107,153	113,599	107,153	113,599
Loans	4,035,883	3,942,602	4,035,883	3,942,602
Total	4,200,763	4,099,366	4,200,763	4,099,366

NOTE 27 DUE TO CUSTOMERS

	Group		Bank	
	2013	2012	2013	2012
<u>Demand deposits</u>				
of public authorities	238,126	311,077	238,126	311,077
of state and municipal entities	161,497	85,567	161,497	85,567
of financial institutions	31,321	30,346	32,808	30,921
of private entities	2,172,864	1,907,728	2,175,191	1,908,814
of individuals	1,801,327	1,509,579	1,801,327	1,509,579
Total demand deposits	4,405,135	3,844,297	4,408,949	3,845,958
<u>Term deposits</u>				
of public authorities	3,995	1,538	3,995	1,538
of state and municipal entities	15,518	30,072	15,518	30,072
of financial institutions	8,136	22,734	8,136	22,734
of private entities	404,633	571,454	404,633	571,454
of individuals	1,408,018	1,403,270	1,408,018	1,403,270
Total term deposits	1,840,300	2,029,068	1,840,300	2,029,068
Term loan	7,283	11,135	7,283	11,135
Total	6,252,718	5,884,500	6,256,532	5,886,161

As at 31 December 2013 the Group's deposits of LTL 18,686 thousand (2012: LTL 26,643 thousand) and Bank's deposits LTL 18,956 thousand (2012: LTL 26,666 thousand) held as collateral for irrevocable commitments under import letter of credit, guarantees and loans were included in customer accounts.

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

NOTE 28 DEBT SECURITIES IN ISSUE

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

				Carrying value	
Currency	Interest rate	Maturity	2013	2012	
Index linked bonds					
LTL	-	2014	8,056	11,991	
EUR	-	2014	1,983	4,283	
Embedded derivatives			1,408	523	
Deferred profit from index linked bonds			50	173	
Total			11,497	16,970	
Other bonds					
LTL	3.50 p.a.	2013	-	32,873	
LTL	4.10 p.a.	2013	-	9,536	
LTL	4.18 p.a.	2014	1,038	1,038	
LTL	5.00 p.a.	2015	929	10,141	
Total			1,967	53,588	
Total debt securities in issue			13,464	70,558	

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

	Group	Bank
As at 1 January 2013	173	173
Released to profit and loss during the year	(123)	(123)
As at 31 December 2013	50	50
As at 1 January 2012	519	519
Released to profit and loss during the year	(346)	(346)
As at 31 December 2012	173	173

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

NOTE 29 PROVISIONS

The movement of provisions was as follows:

	Group			Bank		
	Loan commitments and guarantees	Pending legal issues and other	Restructuring	Loan commitments and guarantees	Pending legal issues and other	Restructuring
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
As at 1 January 2012	796	372	-	57,502	234	-
Increase in provisions	3,739	4,623	1,099	3,739	4,623	1,099
Utilised	(9)	(53)	-	(9)	(53)	-
Unused amounts reversed	(4,198)	(485)	-	(8,403)	(485)	-
Changes due to exchange rates	(1)	-	-	(1)	-	-
As at 31 December 2012	327	4,457	1,099	52,828	4,319	1,099
Current (less than one year)	268	4,457	1,099	27,837	4,319	1,099
Non-current (more than one year)	59	-	-	24,991	-	-
As at 31 December 2012	327	4,457	1,099	52,828	4,319	1,099

Legal claims. As at 31 December 2013, contingent liabilities that may arise as a result of pending court proceedings in which the Bank would appear as a respondent amounted to LTL 65,573 thousand (2012: LTL 67,867 thousand), of which LTL 38,499 thousand (2012: LTL 15,368 thousand) for legal claims related to index linked bonds. The Bank established a provision of LTL 459 thousand (2012: LTL 19 thousand) against potential losses in relation to the outcome of legal claims.

NOTE 30 OTHER LIABILITIES

	Group		Bank	
	2013	2012	2013	2012
Accrued expenses and deferred income	21,715	24,532	20,948	23,131
Transit accounts (for payments of loans and BIS Litās)	4,301	2,905	4,301	2,905
Liabilities for transactions with payment cards	1,243	846	1,243	846
Liabilities to suppliers	4,648	7,483	2,225	3,409
Payables	11,486	13,700	10,100	10,687
Prepayment for finance lease	1,396	968	-	-
Other liabilities	4,115	1,521	2,560	2,162
Total	48,904	51,955	41,377	43,140

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

NOTE 31 SHARE CAPITAL

Share premium amounted to LTL 282,929 thousand as at 31 December 2013 (as at 31 December 2012 – LTL 282,929 thousand).

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

	2013			2012		
	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	
	2013	2012	2013	2012
Mandatory reserve	4,998	393	4,798	193
Other reserves	831	831	831	831
Reserve capital	364,270	364,270	364,270	364,270
Total	370,099	365,494	369,899	365,294

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.

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

NOTE 33 ASSETS / FUNDS UNDER MANAGEMENT

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

Assets under management totalling to LTL 28,877 thousand as at 31 December 2013 (2012: LTL 31,591 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:

	2013 (Unaudited)	2012
Investment funds:		
DNB Liquidity fund	39,035	40,907
DNB Equity Fund of funds	9,292	9,183
2rd pillar pension funds:		
DNB pensija 1	44,455	38,462
DNB pensija 2	228,083	189,691
DNB pensija 3	203,710	170,780
3rd pillar pension fund:		
DNB papildoma pensija	32,789	25,511
DNB papildoma pensija 100	3,720	2,333
DNB papildoma konservatyvi pensija	616	-
Value of individually managed investment portfolios	36,005	123,298
Total	597,705	600,165

NOTE 34 CONTINGENT LIABILITIES AND COMMITMENTS

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

	Group		Bank	
	2013	2012	2013	2012
Guarantees	417,525	341,134	649,705	567,183
Letters of credit	4,372	4,605	4,372	4,605
Commitments to grant loans	1,198,897	839,548	1,549,852	1,247,502
Commitments to grant finance leases	3,874	8,501	-	-
Capital commitments and other commitments to acquire assets	3,140	8,342	2,586	2,069
Other commitments	13,444	11,793	13,444	11,793
Total	1,641,252	1,213,923	2,219,959	1,833,152

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.

Operating lease commitments – where the Bank is the lessee

The future aggregate minimum lease payments under non-cancellable operating lease agreements are as follows:

	Group		Bank	
	2013	2012	2013	2012
Not later than 1 year	745	898	745	898
Later than 1 year and not later than 5 years	435	-	435	-
Total	1,180	898	1,180	898

As at 31 December 2013 total operating lease expenses of the Bank and of the Group amounted to LTL 1,105 thousand (2012: LTL 1,252 thousand of the Bank and LTL 1,188 thousand of the Group).

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

NOTE 34 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Amounts receivable under operating lease – where the Group is the lessor

The future minimum lease payments receivable under non-cancellable operating lease agreements can be specified as follows:

	Group		Bank	
	2013	2012	2013	2012
Not later than 1 year	-	10	-	-
Later than 1 year and not later than 5 years	-	-	-	-
Total	-	10	-	-

NOTE 35 CASH AND CASH EQUIVALENTS

	Group		Bank	
	2013	2012	2013	2012
Cash (Note 11)	297,796	297,919	297,796	297,919
Correspondent accounts with other banks	88,256	135,432	88,256	135,432
Overnight deposits	174,349	-	174,349	-
Required reserves in national currency in Central Bank (Note 11)	185,089	237,224	185,089	237,224
Total	745,490	670,575	745,490	670,575

NOTE 36 LIQUIDITY RISK

According to the regulations approved by the Bank of Lithuania, the liquidity ratio should not be less than 30%. In 2013 and 2012 the Bank and Group complied with the liquidity ratio set by the Bank of Lithuania. Liquidity risks 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 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	101,480	744,104	-	-	-	-	-	-	845,584
Financial assets held for trading	-	52	564	370	154	23,772	28,594	-	53,506
Financial assets designated at fair value through 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	-	180,249	402,368	659,798	972,454	1,674,393	4,437,953	614,812	8,942,027
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-current 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

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NOTE 36 LIQUIDITY RISK (continued)

**Liabilities and
shareholders'
equity**

Due to banks	18,518	42,670	2,583	1,041	1,223	4,031,144	103,584	-	4,200,763
Derivative financial instruments	-	4,087	4,931	4,389	1,935	1,203	4,679	-	21,224
Due to customers	4,405,135	414,304	507,211	492,987	368,004	44,281	20,796	-	6,252,718
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
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Net liquidity gap	(3,847,373)	479,350	59,917	536,739	885,885	(2,179,044)	4,470,435	(405,909)	-
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The structure of the Group's assets and liabilities by the remaining maturity as at 31 December 2012 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Assets									
Cash and balances with central banks	535,163	-	-	-	-	-	-	-	535,163
Due from banks	178,390	832,438	-	6,775	-	-	-	-	1,017,603
Financial assets held for trading	-	69	886	638	1,789	8,811	38,655	-	50,848
Financial assets designated at fair value through profit or loss	-	135,427	140,267	86,800	174,878	29,239	59,723	644	626,978
Derivative financial instruments	-	2,685	1,061	1,014	2,972	2,364	6,547	-	16,643
Financial assets-available for sale	-	-	-	-	-	-	-	952	952
Loans and advances to customers	-	178,720	291,363	446,597	1,163,002	1,700,828	4,323,856	456,403	8,560,769
Finance lease receivables	-	43,072	21,014	27,940	45,180	102,330	55,809	448	295,793
Investment property	-	-	-	-	-	-	-	227,047	227,047
Property, plant and equipment	-	-	-	-	-	-	-	89,827	89,827
Intangible assets	-	-	-	-	-	-	-	8,987	8,987
Deferred income tax asset	-	-	-	-	-	-	-	29,755	29,755
Other assets	2,587	6,991	2,194	3	35	2	-	38,682	50,494
Non-current assets and disposal groups held for sale	-	-	-	-	14,722	-	-	-	14,722
Total assets	716,140	1,199,402	456,785	569,767	1,402,578	1,843,574	4,484,590	852,745	11,525,581

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NOTE 36 LIQUIDITY RISK (continued)

**Liabilities and
shareholders'
equity**

Due to banks	13,118	37,210	223,044	69,812	2,487,278	1,139,424	129,480	-	4,099,366
Derivative financial instruments	-	1,362	4,300	2,433	7,558	2,761	7,808	-	26,222
Due to customers	3,849,795	496,765	521,698	546,777	396,283	44,575	28,607	-	5,884,500
Debt securities in issue	-	16	31	16,391	32,919	21,201	-	-	70,558
Provisions	-	-	5,399	-	260	58	-	166	5,883
Other liabilities	5,743	25,898	2,927	5,787	6,998	2,212	187	2,203	51,955
Shareholders' equity	-	-	-	-	-	-	-	1,387,097	1,387,097
Total liabilities and shareholders' equity	3,868,656	561,251	757,399	641,200	2,931,296	1,210,231	166,082	1,389,466	11,525,581
Net liquidity gap	(3,152,516)	638,151	(300,614)	(71,433)	(1,528,718)	633,343	4,318,508	(536,721)	-

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 2012	2,327,555	5,286,473	44.03
31 December 2013	2,315,537	5,819,336	39.79

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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 undefined	Total
Assets									
Cash and balances with central banks	482,885	-	-	-	-	-	-	-	482,885
Due from banks	101,480	744,104	-	-	-	-	-	-	845,584
Financial assets held for trading	-	52	564	370	154	23,772	28,594	-	53,506
Financial assets designated at fair value through 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	-	180,522	871,913	659,798	972,454	1,674,393	4,437,953	614,812	9,411,845
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-current 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 to banks	18,518	42,670	2,583	1,041	1,223	4,031,144	103,584	-	4,200,763
Derivative financial instruments	-	4,087	4,931	4,389	1,935	1,203	4,679	-	21,224
Due to customers	4,408,949	414,304	507,211	492,987	368,004	44,281	20,796	-	6,256,532
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)	-

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NOTE 36 LIQUIDITY RISK (continued)

The structure of the Bank's assets and liabilities by the remaining maturity as at 31 December 2012 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	535,163	-	-	-	-	-	-	-	535,163
Due from banks	178,390	832,438	-	6,775	-	-	-	-	1,017,603
Financial assets held for trading	-	69	886	638	1,789	8,811	38,655	-	50,848
Financial assets designated at fair value through profit or loss	-	135,427	140,078	86,763	174,021	25,815	57,639	-	619,743
Derivative financial instruments	-	2,685	1,061	1,014	2,972	2,364	6,547	-	16,643
Financial assets-available for sale	-	-	-	-	-	-	-	952	952
Loans and advances to customers	-	178,990	291,363	448,534	1,567,110	1,700,828	4,323,856	456,403	8,967,084
Investments in subsidiaries	-	-	-	-	-	-	-	201,225	201,225
Property, plant and equipment	-	-	-	-	-	-	-	89,466	89,466
Intangible assets	-	-	-	-	-	-	-	8,958	8,958
Deferred income tax asset	-	-	-	-	-	-	-	29,804	29,804
Other assets	971	3,671	1,471	1	1	2	-	26,663	32,780
Non-current assets and disposal groups held for sale	-	-	-	-	10,404	-	-	-	10,404
Total assets	714,524	1,153,280	434,859	543,725	1,756,297	1,737,820	4,426,697	813,471	11,580,673
Liabilities and shareholders' equity									
Due to banks	13,118	37,210	223,044	69,812	2,487,278	1,139,424	129,480	-	4,099,366
Derivative financial instruments	-	1,362	4,300	2,433	7,558	2,761	7,808	-	26,222
Due to customers	3,851,456	496,765	521,698	546,777	396,283	44,575	28,607	-	5,886,161
Debt securities in issue	-	16	31	16,391	32,919	21,201	-	-	70,558
Provisions	-	27,221	5,399	-	608	24,990	-	28	58,246
Other liabilities	5,383	20,483	1,722	5,689	6,817	1,786	-	1,260	43,140
Shareholders' equity	-	-	-	-	-	-	-	1,396,980	1,396,980
Total liabilities and shareholders' equity	3,869,957	583,057	756,194	641,102	2,931,463	1,234,737	165,895	1,398,268	11,580,673
Net liquidity gap	(3,155,433)	570,223	(321,335)	(97,377)	(1,175,166)	503,083	4,260,802	(584,797)	-

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 2012	2,299,563	5,347,144	43.01
31 December 2013	2,295,921	5,880,523	39.04

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

NOTE 37 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS

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	75,286	748,179	5,142	560	13,417	842,584	3,000	845,584
Financial assets held for trading	11	14,365	-	-	1,649	16,025	37,481	53,506
Financial assets designated at fair value through 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	6,494,750	-	-	-	6,547,195	2,394,832	8,942,027
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-current 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	4,383	4,145,107	104	293	3,642	4,153,529	47,234	4,200,763
Derivative financial instruments	25	6,729	-	2,586	-	9,340	11,884	21,224
Due to customers	255,927	1,323,715	13,589	143,683	26,073	1,762,987	4,489,731	6,252,718
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)

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

NOTE 37 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)

The Group's open positions of prevailing currencies as at 31 December 2012 were as follows:

	USD	EUR	GBP	NOK	Other curren- cies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	17,647	47,383	13,100	27,062	21,804	126,996	408,167	535,163
Due from banks	38,224	915,931	432	141	12,555	967,283	50,320	1,017,603
Financial assets held for trading	9,572	9,781	-	-	7,038	26,391	24,457	50,848
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	626,978	626,978
Derivative financial instruments	71	10,951	-	-	-	11,022	5,621	16,643
Financial assets- available for sale	845	107	-	-	-	952	-	952
Loans and advances to customers	80,988	6,320,679	-	-	-	6,401,667	2,159,103	8,560,770
Finance lease receivables	942	280,110	-	-	-	281,052	14,741	295,793
Investment property	-	-	-	-	-	-	89,827	89,827
Property, plant and equipment	-	-	-	-	-	-	227,047	227,047
Intangible assets	-	-	-	-	-	-	8,987	8,987
Deferred income tax asset	-	-	-	-	-	-	29,755	29,755
Other assets	381	4,466	43	48	5	4,942	45,552	50,494
Non-current assets and disposal groups held for sale	-	-	-	-	-	-	14,722	14,722
Total assets	148,669	7,589,408	13,575	27,251	41,402	7,820,305	3,705,276	11,525,581
Liabilities and shareholders' equity								
Due to banks	857	4,058,353	33	79	6,895	4,066,217	33,149	4,099,366
Derivative financial instruments	54	21,458	-	-	-	21,512	4,710	26,222
Due to customers	272,963	1,245,062	9,080	134,384	43,955	1,705,444	4,179,056	5,884,500
Debt securities in issue	-	4,834	-	-	-	4,834	65,724	70,558
Provisions	24	1	-	-	-	25	5,858	5,883
Other liabilities	911	1,741	23	1,587	28	4,290	47,665	51,955
Shareholders' equity	-	-	-	-	-	-	1,387,097	1,387,097
Total liabilities and shareholders' equity	274,810	5,311,449	9,136	136,050	50,878	5,802,322	5,723,259	11,525,581
Net balance sheet position	(126,140)	2,257,959	4,439	(108,799)	(9,476)	2,017,983	(2,017,983)	-
Off-balance sheet position	126,801	(1,994,165)	(4,454)	107,055	11,525	(1,753,238)	1,748,821	(4,417)
Net open position	661	263,794	(15)	(1,774)	2,049	264,745	(269,162)	(4,417)

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

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	75,286	748,179	5,142	560	13,417	842,584	3,000	845,584
Financial assets held for trading	11	14,365	-	-	1,649	16,025	37,481	53,506
Financial assets designated at fair value								
through 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	6,788,359	-	-	-	6,843,264	2,568,581	9,411,845
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-current 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	4,383	4,145,107	104	293	3,642	4,153,529	47,234	4,200,763
Derivative financial instruments	25	6,729	-	2,586	-	9,340	11,884	21,224
Due to customers	255,927	1,324,417	13,589	143,683	26,073	1,763,689	4,492,843	6,256,532
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)

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

NOTE 37 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)

The Bank's open positions of prevailing currencies as at 31 December 2012 were as follows:

	USD	EUR	GBP	NOK	Other curren-cies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	17,647	47,383	13,100	27,062	21,804	126,996	408,167	535,163
Due from banks	38,224	915,931	432	141	12,555	967,283	50,320	1,017,603
Financial assets held for trading	9,572	9,781	-	-	7,038	26,391	24,457	50,848
Financial assets designated at fair value throughout profit or loss	-	-	-	-	-	-	619,743	619,743
Derivative financial instruments	71	10,951	-	-	-	11,022	5,621	16,643
Financial assets- available for sale	845	107	-	-	-	952	-	952
Loans and advances to customers	82,618	6,607,015	-	-	-	6,689,633	2,277,451	8,967,084
Investments in subsidiaries	-	-	-	-	-	-	201,225	201,225
Property, plant and equipment	-	-	-	-	-	-	89,466	89,466
Intangible assets	-	-	-	-	-	-	8,958	8,958
Deferred income tax asset	-	-	-	-	-	-	29,804	29,804
Other assets	381	4,323	43	48	4	4,799	27,981	32,780
Non-current assets and disposal groups held for sale	-	-	-	-	-	-	10,404	10,404
Total assets	149,358	7,595,491	13,575	27,251	41,401	7,827,076	3,753,597	11,580,673
Liabilities and shareholders' equity								
Due to banks	857	4,058,353	33	79	6,895	4,066,217	33,149	4,099,366
Derivative financial instruments	54	21,458	-	-	-	21,512	4,710	26,222
Due to customers	272,963	1,245,062	9,080	134,384	43,955	1,705,444	4,180,717	5,886,161
Debt securities in issue	-	4,834	-	-	-	4,834	65,724	70,558
Provisions	714	20,086	-	-	-	20,800	37,446	58,246
Other liabilities	911	1,740	23	1,587	45	4,306	38,834	43,140
Shareholders' equity	-	-	-	-	-	-	1,396,980	1,396,980
Total liabilities and shareholders' equity	275,499	5,351,533	9,136	136,050	50,895	5,823,113	5,757,560	11,580,673
Net balance sheet position	(126,141)	2,243,958	4,439	(108,799)	(9,494)	2,003,963	(2,003,963)	-
Off-balance sheet position	125,763	(2,014,624)	(4,454)	107,055	11,525	(1,774,735)	1,743,025	(31,710)
Net open position	(378)	229,334	(15)	(1,744)	2,031	229,228	(260,938)	(31,710)

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.

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

NOTE 38 INTEREST RATE RISK

The table below summarises the Group's interest rate risks as at 31 December 2013. Assets and liabilities are shown at their carrying amounts categorised by the earlier of contractual reprising 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	482,885	-	-	-	-	-	-	482,885
Due from banks	845,584	-	-	-	-	-	-	845,584
Financial assets held for trading	52	2,332	370	154	22,004	28,594	-	53,506
Financial assets designated at fair value through 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	1,489,180	2,935,736	3,147,595	374,887	198,374	796,255	-	8,942,027
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-current 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	751,748	1,072,951	2,107,249	139,335	25,896	103,584	-	4,200,763
Derivative financial instruments	94	977	1,298	-	758	3,627	14,470	21,224
Due to customers	4,819,414	503,145	490,753	375,266	44,281	14,244	5,615	6,252,718
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)	-

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NOTE 38 INTEREST RATE RISK (continued)

The Group's interest rate risk as at 31 December 2012 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	535,163	-	-	-	-	-	-	535,163
Due from banks	1,010,828	-	6,775	-	-	-	-	1,017,603
Financial assets held for trading	69	886	638	1,789	8,811	38,655	-	50,848
Financial assets designated at fair value through profit or loss	135,427	140,267	86,801	174,877	29,239	60,367	-	626,978
Derivative financial instruments	1,617	5,098	2,916	862	-	45	6,105	16,643
Financial assets- available for sale	-	-	-	-	-	-	952	952
Loans and advances to customers	1,484,100	2,600,501	3,134,800	435,947	202,717	702,704	-	8,560,769
Finance lease receivables	124,554	101,904	54,303	4,112	7,891	3,029	-	295,793
Investment property	-	-	-	-	-	-	227,047	227,047
Property, plant and equipment	-	-	-	-	-	-	89,827	89,827
Intangible assets	-	-	-	-	-	-	8,987	8,987
Deferred income tax asset	-	-	-	-	-	-	29,755	29,755
Other assets	-	-	-	-	-	-	50,494	50,494
Non-current assets and disposal groups held for sale	-	-	-	-	-	-	14,722	14,722
Total assets	3,291,758	2,848,656	3,286,233	617,587	248,658	804,800	427,889	11,525,581
Liabilities and shareholders' equity								
Due to banks	878,424	1,014,806	1,865,843	207,236	-	133,057	-	4,099,366
Derivative financial instruments	6,356	6,394	7,252	1,484	-	26	4,710	26,222
Due to customers	4,341,062	521,698	557,875	396,283	44,575	17,509	5,498	5,884,500
Debt securities in issue	16	31	16,391	32,919	21,201	-	-	70,558
Provisions	-	-	-	-	-	-	5,883	5,883
Other liabilities	-	-	-	-	-	-	51,955	51,955
Shareholders' equity	-	-	-	-	-	-	1,387,097	1,387,097
Total liabilities and shareholders' equity	5,225,858	1,542,929	2,447,361	637,922	65,776	150,592	1,455,143	11,525,581
Interest rate sensitivity gap	(1,934,100)	1,305,727	838,872	(20,335)	182,882	654,208	(1,027,254)	-

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

NOTE 38 INTEREST RATE RISK (continued)

The Bank's interest rate risk as at 31 December 2013 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	482,885	-	-	-	-	-	-	482,885
Due from banks	845,584	-	-	-	-	-	-	845,584
Financial assets held for trading	52	2,332	370	154	22,004	28,594	-	53,506
Financial assets designated at fair value through 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	1,489,452	3,405,282	3,147,595	374,887	198,374	796,255	-	9,411,845
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-current 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	751,748	1,072,951	2,107,249	139,335	25,896	103,584	-	4,200,763
Derivative financial instruments	94	977	1,298	-	758	3,627	14,470	21,224
Due to customers	4,823,228	503,145	490,753	375,266	44,281	14,244	5,615	6,256,532
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)	-

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NOTE 38 INTEREST RATE RISK (continued)

The Bank's interest rate risk as at 31 December 2012 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	535,163	-	-	-	-	-	-	535,163
Due from banks	1,010,828	-	6,775	-	-	-	-	1,017,603
Financial assets held for trading	69	886	638	1,789	8,811	38,655	-	50,848
Financial assets designated at fair value throughout profit or loss	135,427	140,078	86,764	174,020	25,815	57,639	-	619,743
Derivative financial instruments	1,617	5,098	2,916	862	-	45	6,105	16,643
Financial assets- available for sale	-	-	-	-	-	-	952	952
Loans and advances to customers	1,484,370	2,600,501	3,422,496	554,296	202,717	702,704	-	8,967,084
Investments in subsidiaries	-	-	-	-	-	-	201,225	201,225
Property, plant and equipment	-	-	-	-	-	-	89,466	89,466
Intangible assets	-	-	-	-	-	-	8,958	8,958
Deferred income tax asset	-	-	-	-	-	-	29,804	29,804
Other assets	-	-	-	-	-	-	32,780	32,780
Non-current assets and disposal groups held for sale	-	-	-	-	-	-	10,404	10,404
Total assets	3,167,474	2,746,563	3,519,589	730,967	237,343	799,043	379,694	11,580,673
Liabilities and shareholders' equity								
Due to banks	878,424	1,014,806	1,865,843	207,236	-	133,057	-	4,099,366
Derivative financial instruments	6,356	6,394	7,252	1,484	-	26	4,710	26,222
Due to customers	4,342,723	521,698	557,875	396,283	44,575	17,509	5,498	5,886,161
Debt securities in issue	16	31	16,391	32,919	21,201	-	-	70,558
Provisions	-	-	-	-	-	-	58,246	58,246
Other liabilities	-	-	-	-	-	-	43,140	43,140
Shareholders' equity	-	-	-	-	-	-	1,396,980	1,396,980
Total liabilities and shareholders' equity	5,227,519	1,542,929	2,447,361	637,922	65,776	150,592	1,508,574	11,580,673
Interest rate sensitivity gap	(2,060,045)	1,203,634	1,072,228	93,045	171,567	648,451	(1,128,880)	-

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

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	
	2013	2012	2013	2012
Management of the Group and close family members of management	3,665	3,357	5,979	5,300

In 2013 the total compensations for the Group management approximated LTL 4,351 thousand (in 2012 – LTL 3,544 thousand). In 2013 the total compensations for the Bank's management approximated LTL 3,226 thousand (in 2012 – LTL 2,671 thousand).

The following balances were outstanding with the parent company:

	2013	2012
Assets		
Correspondent bank accounts	40,443	130,489
Overnight deposits	174,349	-
Term deposits	569,754	832,438
Derivative financial instruments	7,313	6,614
Other assets	146	1,445
Receivable	32	-
Liabilities		
Correspondent bank accounts	701	167
Overnight deposits	2,497	46
Term deposits	107,153	107,161
Derivative financial instruments	14,135	10,502
Loans	4,006,120	1,105,587
Payable	1,200	3,869
Other liabilities	166	1,583
Income		
Interest	2,102	3,882
Fee and commission	217	24
Net gain (loss) from foreign exchange	(239)	443
Net gain (loss) from operations with financial instruments	(17,205)	(7,104)
Other	16	-
Expenses		
Interest	23,750	37,798
Fee and commission	167	202
Other	5,037	5,597

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

NOTE 39 RELATED PARTY TRANSACTIONS (continued)

The following balances were outstanding with DNB ASA Group companies:

	2013	2012
Assets		
Correspondent bank accounts	3,670	4,622
Term deposits	-	6,774
Receivable	-	956
Other assets	-	1,600
Liabilities		
Correspondent bank accounts	3,011	5,094
Term deposits	-	6,439
Demand deposits	-	101
Loans	-	2,590,004
Other liabilities	1,211	-
Income		
Interest	93	294
Fee and commission	10	1,550
Net gain (loss) from foreign exchange	(11)	(20)
Net gain (loss) from operations with financial instruments	840	(31)
Other	7,923	8,074
Expenses		
Interest	4,153	23,143
Fee and commission	963	1,490
Other	62,268	33,655

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 2013 amounted to 62,260 LTL thousand (2012: LTL 33,655 thousand).

The following balances were outstanding on the Bank statement of financial position with subsidiaries:

	2013	2012
Assets		
Loans	469,818	406,315
Equity securities	237,756	201,225
Other assets	934	686
Liabilities		
Demand deposits	3,814	1,661
Other liabilities	664	663

The main income/expenses of the Bank from transactions with subsidiaries are as follows:

	2013	2012
Income		
Interest	6,126	8,962
Fee and commission	7,718	7,816
Dividends	2,787	2,645
Other	54	77
Expenses		
Interest	-	3
Fee and commission	115	141
Other	191	126

As at 31 December 2013 the main off-balance sheet commitments (guarantees, commitments to grant loans) with subsidiaries amounted to LTL 579,383 thousand (2012: LTL 625,352 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.

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

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 of bank's calculated capital. In 2012 and 2013 the Bank complied with the maximum exposure to one borrower requirements set by the Bank of Lithuania. As at 31 December 2013, the largest single exposure comprising loans to several related borrowers treated as a single borrower, not secured by Government guarantees, is 14.52 % of the Bank's calculated capital (2012: 12.25 % 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. In 2013 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	
	2013	2012
Interest income	290,424	368,068
Interest expense	(74,430)	(123,413)
Net interest income	215,994	244,655
Fee and commission income	118,752	101,801
Fee and commission expense	(24,867)	(21,441)
Net interest, fee and commission income	309,879	325,015
Net gain on operations with securities and derivative financial instruments	(12,206)	12,207
Net foreign exchange gain	41,170	25,669
Impairment losses and provisions	2,608	(43,078)
Other income	24,290	16,281
Personnel expenses	(113,152)	(106,525)
Depreciation and amortisation	(11,761)	(12,100)
Other administrative expenses	(178,298)	(130,883)
Profit (loss) before income tax	62,530	86,586
Income tax	(4,332)	(77)
Net profit (loss) for the year	58,198	86,509
Profit (loss) attributable to:		
Equity holders of the parent	58,198	86,509

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

NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

THE FINANCIAL GROUP STATEMENT OF COMPREHENSIVE INCOME

	Financial group	
	2013	2012
Profit (loss) for the year	58,198	86,509
Other comprehensive income (expenses) to be reclassified to profit or loss in subsequent periods:		
available for sale assets revaluation	-	115
Total other comprehensive income (expenses) to be reclassified to profit or loss in subsequent periods:	-	115
Total comprehensive income (expenses) for the year, net of tax	58,198	86,624
Atributable to:		
Equity holders of the parent	58,198	86,624

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

NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP STATEMENT OF FINANCIAL POSITION

	Financial Group	
	31 December 2013	31 December 2012
ASSETS		
Cash and balances with central banks	482,885	535,163
Due from banks	845,584	1,017,603
Financial assets held for trading	53,506	50,848
Financial assets designated at fair value through profit or loss	822,980	626,978
Derivative financial instruments	12,525	16,643
Financial assets - available for sale	-	952
Loans and advances to customers	9,071,775	8,679,118
Finance lease receivables	351,657	295,793
Investments in subsidiaries	160,323	123,792
Property, plant and equipment	85,196	89,773
Intangible assets	11,790	8,970
Deferred income tax asset	25,804	29,755
Other assets	69,705	48,052
Non-current assets and disposal groups held for sale	3,544	10,404
Total assets	11,997,274	11,533,844
LIABILITIES AND EQUITY		
Due to banks	4,200,763	4,099,366
Derivative financial instruments	21,224	26,222
Due to customers	6,255,045	5,885,586
Debt securities in issue	13,464	70,558
Provisions	4,586	5,745
Other liabilities	45,433	47,806
Total liabilities	10,540,515	10,135,283
Equity attributable to equity holders of parent		
Ordinary shares	656,665	656,665
Share premium	282,929	282,929
Retained earnings	147,066	93,473
Reserves	370,099	365,494
	1,456,759	1,398,561
Total equity	1,456,759	1,398,561
Total liabilities and equity	11,997,274	11,533,844

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

NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of parent						
	Issued shares	Share premium	Financial assets revalua- tion reserve	Manda- tory reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2012	656,665	282,929	(115)	200	365,102	7,156	1,311,937
Total comprehensive income	-	-	115	-	-	86,509	86,624
Depreciation transfer for buildings	-	-	-	-	(1)	1	-
Transfer to mandatory reserve	-	-	-	193	-	(193)	-
Balance at 31 December 2012	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	656,665	282,929	-	4,998	365,101	147,066	1,456,759

(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	
	2013	2012
Operating activities		
Interest receipts	270,431	340,906
Interest payments	(81,036)	(130,342)
Collected previously written-off loans	4,990	5,232
Net receipt from FX trading and operations in securities	11,660	13,702
Fee and commission receipt	118,752	101,801
Fee and commission payments	(24,867)	(21,441)
Salaries and related payments	(112,146)	(105,094)
Other payments	(154,024)	(114,596)
Net cash flow from operating activities before changes in operating assets and liabilities	33,760	90,168
(Increase) decrease in operating assets:		
(Increase) decrease in loans to credit and financial institutions	263,894	(104,956)
(Increase) decrease in loans granted	(366,408)	(96,958)
Purchase of trading securities	(2,800,606)	(2,835,724)
Proceeds from trading securities	2,800,358	2,817,055
Decrease in other assets	(48,192)	(44,676)
Change in operating assets	(150,954)	(265,259)
Increase (decrease) in operating liabilities:		
Increase (decrease) in liabilities to credit and financial institutions	103,981	(466,254)
Increase in deposits	371,588	807,133
Increase (decrease) in other liabilities	3,494	1,431
Change in operating liabilities	479,063	342,310
Income tax paid	-	-
Net cash flows from operating activities	361,869	167,219
Investing activities		
Acquisition of property, plant, equipment and intangible assets	(10,475)	(13,568)
Disposal of property, plant, equipment and intangible assets	72	290
Purchase of securities	(1,180,105)	(611,129)
Proceeds from securities	981,116	395,104
Dividends received	11	15
Interest received	6,296	9,472
Net cash flows from investing activities	(203,085)	(219,816)
Financing activities		
Own debt securities redemption	(56,730)	(45,202)
Interest paid	(2,719)	(3,084)
Repaid subordinated loans	-	(37,981)
Net cash flows from financing activities	(59,449)	(86,267)
Net increase in cash and cash equivalents	99,335	(138,864)
Net foreign exchange difference on cash and cash equivalents	(24,420)	(9,945)
Cash and cash equivalents at 1 January	670,575	819,384
Cash and cash equivalents as at 31 December	745,490	670,575

NOTE 42 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no material subsequent events at the Group and the Bank.