

**Interim confirmation of responsible persons**

This confirmation of responsible persons regarding interim condensed consolidated financial information of AB DNB Bankas as of 30 June 2014 is 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 interim condensed consolidated financial information is 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 interim report includes a fair review of the development and performance of the business.

President

  
Bjornar Lund

Chief Accountant

  
Jurgita Šaučiūnienė



# DNB

## **AB DNB Bankas**

**INTERIM CONSOLIDATED REPORT,  
INTERIM CONDENSED FINANCIAL INFORMATION  
AS AT 30 JUNE 2014**

**(UNAUDITED)**

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## INTERIM CONSOLIDATED REPORT, SIX MONTHS 2014

### 1. REPORTING PERIOD COVERED BY THIS REPORT

This interim consolidated report for the first six months of 2014 covers the period from 1 January 2014 to 30 June 2014.

### 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	<a href="mailto:info@dnb.lt">info@dnb.lt</a>
Website	<a href="http://www.dnb.lt">www.dnb.lt</a>

### 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.

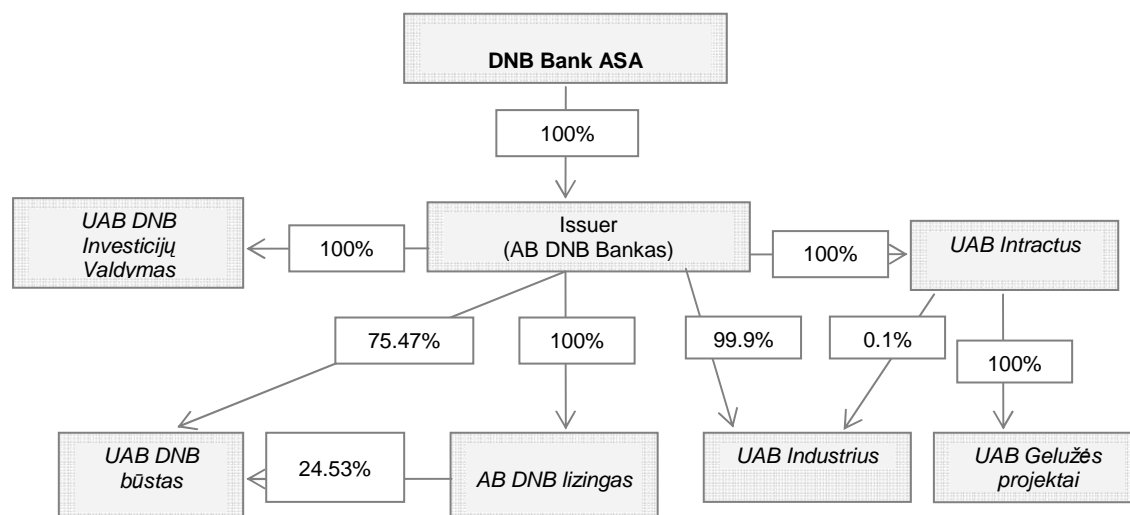
The Bank shall provide the following financial services:

- 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 30 June 2014 Norway's DNB Bank ASA was a sole direct shareholder of AB DNB Bankas that held 100 percent direct ownership of the Bank's shares and voting rights.

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



AB DNB Bankas provided financial services to its customers in 60 branches across Lithuania as of 30 June 2014.

## 5. STRUCTURE OF THE AUTHORIZED CAPITAL

On 30 June 2014 the authorized capital of the Bank was LTL 656,665,410 (six hundred fifty six million six hundred sixty five thousand four hundred ten). It is divided into 5,710,134 (five million seven hundred ten thousand one hundred thirty four) ordinary registered shares with LTL 115 (one hundred and fifteen) par value each.

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

On 30 June 2014 the authorized capital of AB DNB Bankas consisted of:

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

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

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

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

### The history of the 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 its shares and voting rights.

## 6. SHAREHOLDERS

On 30 June 2014 Norway's *DNB Bank ASA* was the sole direct shareholder of *AB DNB Bankas* that held 100 percent of the Bank's registered authorized capital of LTL 656,665,410.

Shareholder	Office address	Type of the company	Code	Number of ordinary registered shares	Share of the authorized capital held and number of votes, percent	
					Owned	With associates
<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 30 June 2014 the following ISDA Master Agreements and TBMA/ISMA Global Master Repurchase Agreement, whereby the counterparties thereto have the right to terminate the transactions with the Issuer in case of a change in the Issuer's control, were in force:

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

As of 30 June 2014 the Issuer also had the Finance Contract dated 13 March 2009 with the European Investment Bank, whereby the European Investment Bank has the right to terminate the Finance Contract in case of a change in the Issuer's control if, in the reasonable opinion of the European Investment Bank, such a change in the Issuer's control has or is likely to have a material adverse effect on the future repayment of the loan received under the Finance Contract.

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

On 30 June 2014 the Issuer had no other significant arrangements that would be enforced, changed or terminated as a result of the change in the Issuer's control.

## 8. INFORMATION ON SECURITIES LISTED ON REGULATED MARKETS

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

As of 30 June 2014 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 30 June 2014 the par value of debt securities issued by *AB DNB Bankas* for public trading constituted LTL 20.6 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 2014 Report

## 10. INFORMATION ON RELEVANT AGREEMENTS WITH RELATED PARTIES

Information on relevant transactions with related parties are provided in Note 14 of the interim condensed financial statements for the first six months of 2014.

## 11. MATERIAL EVENTS OVER THE REPORTING PERIOD

Material events of *AB DNB Bankas* that took place in the first six months of 2014:

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

**On 12 March 2014** dr. Vy gintas Bubnys, deputy chairman of the Management Board and executive vice – president of *AB DNB Bankas*, notified the Bank's Management Board he will not resume his contract after the expiry of his third four year term in office due to personal reasons, the decision effective from 21 March 2014. Until the new head of the Bank's corporate banking division is appointed, the chairman of the Management Board and the president of *AB DNB Bankas*' Bjornar Lund took the responsibility of the corporate banking business line.

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

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

1. acknowledged the Bank's consolidated annual report and approved the set of annual financial statements - the separate and consolidated financial statements for the year ended 31 December 2013.
2. approved distribution of the profit (loss) of the Bank. It was decided to allocate the 2013 net result of LTL 57.1 million (EUR 16.5 million) to the distributable profit of the Bank equal to LTL 144.6 million (EUR 41.9 million). LTL 7.2 million (EUR 2.1 million) from the distributable profit shall be allocated to the obligatory reserve. The remaining part of the retained earnings of LTL 137.4 million (EUR 39.8 million) shall be transferred to the next financial year.
3. elected close stock company „Ernst & Young Baltic“ as an audit firm to perform audit of the annual financial statements of the Bank for the year 2014 and authorized the president of the Bank to establish the other terms and conditions of the agreement on auditing services with the audit firm within the remuneration amount set by the sole shareholder;
4. re-elected to the Supervisory Council for a new four-year term of office:



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

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

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

4.4 Leif Rene Hansen, independent member.

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

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

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

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

#### **Material events that took place after the end of the reporting period:**

**On 3 July 2014** *AB DNB Bankas* notified that on 2 July 2014 the Supervisory Council elected Andrius Načajus to take the office of a member of the Bank's management board. A. Načajus will also serve as the executive vice-president of the Bank in charge of corporate banking starting August 4<sup>th</sup> after the necessary permission from the Bank of Lithuania is received.

The market was also notified that after A. Načajus takes the seat on *AB DNB Bankas* management board, Mindaugas Tutlys, the head of *DNB Markets* Lithuania will be appointed to head DNB's pan-Baltic investment banking operations. Simultaneously he will retain his role as *DNB Markets* country head for Lithuania.

Full information on material events related with the Issuer's activities is presented to the Bank of Lithuania, *AB NASDAQ OMX Vilnius* Stock Exchange, Central storage facility, the daily Lietuvos Rytas, news agencies BNS and ELA and is available on the Bank's website [www.dnb.lt](http://www.dnb.lt).

## **12. INFORMATION ON PERFORMANCE RESULTS**

*AB DNB Bankas* and all its subsidiaries operated profitably in the first half of 2014 as the growing economy, easing geopolitical tensions and very favorable borrowing conditions affected positively economic sentiment of individuals and businesses also lifting demand for financial services. This opened the door of opportunity for the Group to increase the financing volumes and consolidate further its position in housing and consumer loans markets. In the second quarter of the year the Bank also witnessed higher activity in the corporate credits market. The efforts to optimize branch network coupled with active development of self-service infrastructure for daily banking services helped the Group to further reduce operating costs despite higher expenses related to preparation of the bank for the Euro introduction in Lithuania. Another positive factor was that the Group's loan losses were minimal and the quality of the growing credit portfolio remained stable.

In the first half of 2014 *AB DNB Bankas* signed new credit contracts worth LTL 1.3 billion, LTL 136 million more compared to the same period a year ago. The Group's net loan portfolio rose 3.5 percent year-on-year to LTL 9.0 billion as of 30 June 2014. The Group's net loan portfolio to individuals rose 4.8 percent year-on-year while the net loan portfolio to legal entities increased by 2.2 percent.

With a number of customers increasing, the Bank's deposit portfolio rose 6.2 percent year-on-year to LTL 6.6 billion as at the end of June. This resulted from the growth in the number of individual and corporate customers that increased by 27 thousand over the year. As of the end of June 2014 *AB DNB Bankas*' group provided comprehensive range of financial services to 837 thousand customers, the factor that also contributed positively to the Group's non-lending income growth.

The Group's assets rose 4.2 percent year-on-year to LTL 12.3 billion as of 30 June 2014.

In the first half of 2014 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 186.1 million. The largest relative weight – 59.5 percent – of the operating income fell on the net interest income. The net interest income in the first half of 2014 was 5.6 percent higher compared to the same period the year before. The Group's net commission income for the services rendered to customers rose 3.4 percent within the same period.

The Group's operating and other expenses made LTL 146.8 million in the first half of 2014. They decreased by LTL 11.8 million compared to the same period a year ago. Looking ahead it is expected that the level of the Group's operating expenses will be affected by investments to get ready the Group for introduction of euro as national currency in Lithuania.



With the economy on the sustained growth path the Group's customer risks declined further. In the first half of 2014 the Group set aside LTL 1.3 million for special provisions, down from LTL 3.3 million in the same period a year ago.

As the result, the Bank's net profit in the first half of the year 2014 was LTL 27.7 million and the Group's net profit was LTL 32.5 million. In the same period the year before the Bank's net profit was LTL 25.5 million and the Group's net profit was LTL 15.6 million.

As of 30 June 2014 the Group's return on equity (ROE) was 4.5 percent and its cost/income ratio (CIR) was 78.9 percent.

Year	2011		2012		2013		30 06 2014	
	Group	Bank	Group	Bank	Group	Bank	Group	Bank
Return on equity (percent)	6.8	7.5	6.0	6.5	3.2	4.0	4.5	3.8
Cost/income ratio (percent)	53.6	52.9	67.4	66.4	85.7	84.9	78.9	80.0

In the first half of 2014 *AB DNB Bankas' group* continued its branch network optimization. After the assessment of the performance and potential of each branch, their number was scaled down to 60. In parallel the Group continued investing in DNB self-service cash-in terminals. As at the end of June 42 self-service terminals were installed, 19 of them operating 24/7. By the year-end DNB's self-service network shall be increased to 56 primarily in locations with highest demand for the services. This reflects the Bank's efforts to encourage customers to use modern electronic banking tools when handling daily finances and to gradually focus the branch staff solely on customer consulting on saving, credits or other higher value added services.

As at the end of June 2014 the Group's customers could use the country's largest ATM network that embraces 550 ATMs (DNB (197) and SEB (353) 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 1 800 terminals of UAB "Perlo paslaugos" across the country. Starting from June 2014 *AB DNB Bankas* customers were offered a possibility to withdraw money from their payment cards in 80 outlets of *Lietuvos paštas* and 185 PayPost branches across Lithuania. This service is particularly convenient to customers in places where there are no banking outlets, ATM or at weekends and at off office hours.

In the first half of 2014 the Bank issued 74.2 thousand new payment cards to its customers so at the end of June the number of outstanding cards topped 512 thousand. The turnover of the payment cards rose 27 percent compared to the same period a year ago to LTL 3.2 billion due to increased number of active payment card users and higher average spending.

As the result of consistent efforts to further improve user-friendliness and functionality of the internet banking system, the number of customers using *AB DNB Bankas* internet bank rose 11 percent year-on-year to 631 thousand as at the end of June. During the first six months of the year 97.5 percent of all money transfers were executed via DNB internet banking compared to 94.1 pct. at the start of the year.

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

*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 12<sup>th</sup> year running demonstrating that it is a reliable partner both in business and the community life.

### Retail banking

In line with the Group's strategy aimed at increasing the number of new and existing individual customers who choose DNB as their home bank the Group continued to focus on individual customer service quality and culture, implementation of customer segment approach that focuses on a more flexible response to customer needs and enhancement of the Bank's brand, service and product awareness during the first six months of 2014. Consequently the number of individual customers of *AB DNB Bankas* rose by 26 thousand to 771 thousand at the end of June.

Pursuing responsible lending practices the Bank continued to extend loans under "Your First Home" mortgage credit program which provides an option for the customers to repay the entire credit or part of it early without any additional charge or to defer a payment of credit principal. On 17 February the Bank introduced a new pricing of new floating-rate mortgages that defines which part of the rate is linked to the individual financial circumstances of the customer from those that depend on market situation. The competitive mortgage terms placed the Bank among the top lenders on Lithuania's new mortgage loan market in the first six months of 2014.

Responding to stronger economic sentiment of individuals that lifted consumer credit demand *AB DNB Bankas* offered consumer loans to its customers under particularly favorable terms during the first half of the year.

Pursuing its segment strategy the Bank developed a special financial service package to doctors and dentists in the first half of 2014 to meet their prime needs for daily transactions and long-term credit financing.

The Bank kept widening the variety of services to life beginners designing a new DNB youth card VISA electron UP in the first quarter of 2014. The card added up to *AB DNB Bankas' "UP"* program intended to life-beginners enabling young people to rationally

handle their finances also helping them to choose a career path. Thus, in the first quarter of the year the Bank continued its educational projects for life-beginners, i.e. LIFTAS to promote youth entrepreneurship and "Runway For Your Career".

To meet its customers' need to use banking services at times of their choice, the Bank started offering more services by telephone and on-line in the first half of 2014. From now on corporate customers can book payment cards, BizKit corporate service set or salary transfer services by telephone. Private individuals can make time deposit agreement, acquire a payment card, accident insurance as well as make agreements on direct debit, standing orders, and SMS services by telephone. And also, the Bank customers can submit on-line applications for leasing and consumer loans. With number of customers opting for lower-cost self-services, the branch staff was better positioned to allocate more time to customer consulting and sales of higher value-added services.

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

### Corporate banking

The Group consolidated its strong position in corporate banking sector in the first half of 2014 as a result of its long-term constructive relationships with its customers and focus on the service quality solutions to best meet the customers' needs. The customer centric business approach lead to new and successful business entities to choose *DNB* as their home bank. As of the end of June 2014 the Bank provided services to 65.7 thousand corporate customers.

Easing geopolitical tensions and very favorable borrowing terms had a positive effect on the economic sentiment of the country's businesses and spurred further the demand for financial services. In the second quarter of the year there was recorded higher activity in the corporate credits market, especially in energy, trade and services and agricultural sectors. As a result the Bank's corporate loan portfolio rose by 3.4 per cent year-on-year to LTL 5.32 billion. The Bank's loan portfolio to the agriculture, construction, and lease activities increased the most during the year while the credit volumes to electricity, gas and water supply as well as real estate deals were lower compared to the previous year.

To further strengthen the service excellence, in the first half of 2014 each of the large corporate customers were assigned a group of specialists to best meet their needs and also the common guidelines for work with large corporate customers in the Baltic States were brought to life. Attractive offers were made not only to businesses but also to the employees of corporate customers.

*AB DNB Bankas* continued to pay prime attention to small and medium size enterprises (SMEs) by offering the solutions to best meet the specific needs of the business segment. "Establish Your Business" on-line application specially developed by *AB DNB Bankas* was actively used by people who were planning to set up their own business because of its consistent approach towards the business development process and also because it covers all key stages of business setting up and development: starting from assessment of a business idea, process planning, business set up to establishment of a new business in the market.

To facilitate the start of their business during the first year, business start-ups are offered "Business Start-Up Vitamins" complex solution where basic daily banking services are free of charge. The possibility to open a cumulative account, active work by the Bank's branches and Contact Centre as well as cooperation with the partners resulted in 33.1 per cent of the new businesses set up within the first six months of 2014 choosing *AB DNB Bankas* as their financial partner.

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

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

### Investment banking

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

In the first six months of 2014, the main sources of investment banking income were foreign exchange, securities brokerage and commission income from DNB Trade™ on-line platform. Foreign exchange turnover in 2014 exceeded LTL 6.8 billion and generated LTL 5.2 million incomes for the Bank.

Securities brokerage income of the Group made LTL 5.4 million on turnover of over LTL 6.2 billion in 2014.

The turnover through DNB Trade™ on-line platform was LTL 14.9 billion and generated LTL 1.0 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 30 June 2014 AB DNB Bankas owned the following subsidiaries: UAB DNB Investicijų Valdymas, AB DNB Lizingas, UAB DNB Būstas, UAB Industrious 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	<a href="mailto:investicija@dnb.lt">investicija@dnb.lt</a>
Website	<a href="http://www.dnb.lt">www.dnb.lt</a>
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.

On 30 June 2014 UAB DNB Investicijų Valdymas managed three II pillar pension funds, three III pillar pension funds and two investment funds.

The assets under management of UAB DNB Investicijų Valdymas made LTL 649.3 million on 30 June 2014, up 8.6 percent (LTL 51.6 million) over the first six months of the year.

Results of funds under management as of 30 June 2014:

Title of the fund	Basics of investment strategy	Change in unit value during the first semester of 2014	Benchmark index in the first semester of 2014
<i>Second pillar pension funds</i>			
DNB Pensija 1	Government debt securities	2.39%	4.16%
DNB Pensija 2	Equity securities up to 25%	3.19%	4.49%
DNB Pensija 3	Equity securities up to 50%	3.89%	4.80%
<i>Third pillar pension funds</i>			
DNB papildoma konservatyvi pensija	Equity 0%	1.36%	4.16%
DNB Papildoma pensija	Equity securities up to 50%	3.75%	4.80%
DNB Papildoma pensija 100	Equity securities up to 100%	4.84%	5.63%
<i>Investment funds</i>			
DNB Liquidity fund	Short-term debt securities and deposits	0.18%	0.15%
DNB Equity fund of funds	Equity fund	5.23%	5.63%

#### 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	<a href="mailto:lizingas@dnb.lt">lizingas@dnb.lt</a>
Website	<a href="http://www.dnb.lt">www.dnb.lt</a>

*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 was LTL 431.8 million recording 13.97 percent growth compared to corresponding period a year ago. The company's leasing portfolio to individuals rose 23.6 percent year-on-year to LTL 45.6 million. Its leasing portfolio for legal entities increased 12.9 percent to LTL 386.3 million as at the end of June 2014.

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

#### **UAB DNB Būstas**

Name	<i>UAB DNB Būstas</i>
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	<a href="mailto:info@dnbbustas.lt">info@dnbbustas.lt</a>
Website	<a href="http://www.dnbbustas.lt">www.dnbbustas.lt</a>

*UAB DNB Būstas* is a subsidiary of *AB DNB Bankas* that provides brokerage services in the country's real estate market. On 30 June 2014, *AB DNB Bankas* owned 75.47 percent of *UAB DNB Būstas* registered authorized capital of LTL 1,378, 000 and the remaining 24.53 percent, was owned by the Bank's subsidiary *AB DNB Lizingas*.

In the first half of 2014, *UAB DNB Būstas* carried out its activities in Vilnius, Kaunas, and Klaipėda, Palanga, Šiauliai, Mažeikiai, Akmenė, Skuodas and the surrounding regions. At the end of the reporting period one real estate brokerage company and 48 individual brokers were providing real estate brokerage services under franchise agreements with *UAB DNB Būstas*. During the reporting period *UAB DNB Būstas* retained its leading position in the newly constructed residential segment and was among the largest real estate brokerage companies in terms of sales and number of listings.

In the first half of 2014, *UAB DNB Būstas* earned LTL 334 thousand net profit compared to LTL 233 thousand in the same period a year ago. *UAB DNB Būstas* brokers intermediated in real estate assets sales worth LTL 53 million during the reporting period.

#### **UAB Intractus**

Name	<i>UAB 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	<a href="mailto:intractus@intractus.lt">intractus@intractus.lt</a>
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 30 June 2014 *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 205 million as of 30 June 2014 including land plots, buildings and premises.

*UAB Intractus* fully owned a limited liability company *UAB Gėlužės projektai* (company code 301135524) with the authorized capital of LTL 24.9 million as at the end of the reporting period. *UAB Gėlužės projektai* develops one project.

On 30 June 2014 *UAB Intractus* owned 0.1 percent of *UAB Industrious* (company code 302593805) registered shares.

#### **UAB Industrious**

Name	<i>UAB 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 30 June 2014 *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 54 million, including real estate like land plots, buildings and premises.

#### **14. RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

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

The Bank assesses and manages credit, liquidity, market (interest rate, foreign exchange rate, equity price), operational (including compliance and legal) and other risks it is exposed to in its activities. Credit risk is the dominant in the Bank's risk structure. Detailed information about financial risk assessment and management is provided in section Financial Risk Management of the *AB DNB Bankas* 2013 consolidated financial statements. The risk management principles have not changed significantly during the reporting period. The risk management processes are continuously being improved taking into account the best practice applied by the parent bank *DNB Bank ASA*.

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



Information about the Bank's compliance with prudential requirements:

30 June 2014 (per cent)

Ratio	Bank
Liquidity	41.84
Capital adequacy	16.45
Maximum exposure to one borrower (< = 25 per cent)	11.49
Liquidity buffer covers net funding gap under stressed market conditions according to possible scenario during the survival period (expressed as the number of times)	12.35

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

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

#### 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](http://www.dnb.lt) in the section About the Bank – Financial Reports – Ratings.

#### 16. STRATEGY AND PLANS

*In the first six months of 2014 AB DNB Bankas* continued implementation of its three year Building the future strategy launched 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.

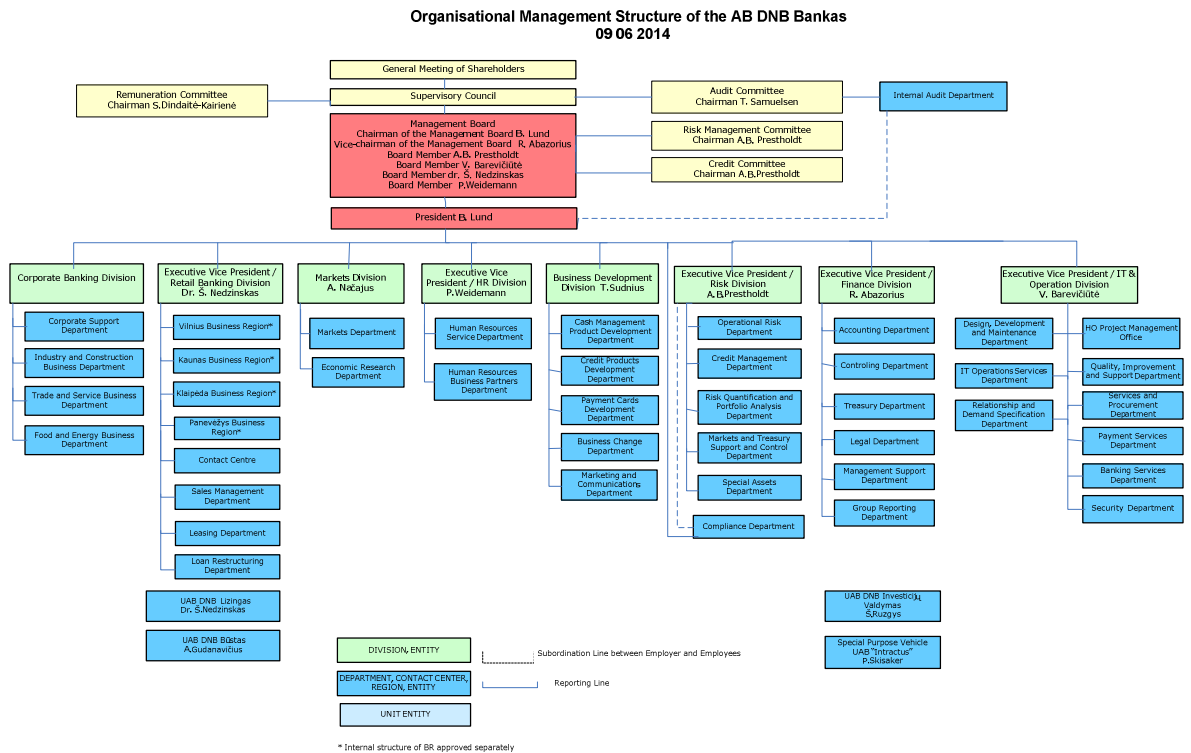
For its customers *AB DNB Bankas* aims to be present and attentive, offer competitive prices, attractive products and be responsive and clear. This is aimed at achieving a balanced growth of the customer portfolios and a higher penetration of all banking products and services. The strategy stipulates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

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

#### 17. INVESTMENTS

Investments into property, plant, equipment and intangible assets done during the first six months of 2014 are described in notes 6 and 7 of interim condensed 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 Banks* 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 procurator 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 30 June 2014 the Supervisory Council consisted of four members.

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

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

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

Name	Position	Information on start and end of holding the office		Education	Information about management competence and experience
		Start	End		
Terje Turnes	Chairman of the Supervisory Council	24 03 2014	24 03 2018	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	24 03 2014	24 03 2018	Norwegian School of Economics and Business Administration, diploma in economics and business administration	DnB NOR, New York, CEO, (1995-1998); DnB NOR, London, CEO (2000-2005); DnB NOR A/S, Chief financial officer (2006-2008); DnB NOR vice-president

					(since 2008)
Eline Skramstad	Member of the Supervisory Council	24 03 2014	24 03 2018	Science and Technology University of Norway, Master degree	DNB Bank ASA/Den norske Bank ASA account manager (2001-2005); DNB Bank ASA vice president (2005-2009)DNB BANK ASA senior vice president (2009 - 2012); <i>DNB Bank ASA</i> senior credit officer (since 2012)
Leif Rene Hansen	Member of the Supervisory Council	24 03 2014	24 03 2018	Trade School, Kolding branch; certificate of the state authorised auditor	KPMG Lithuania partner and managing director (1994-2009); DNB Poland, DNB Lithuania and DNB Latvia member of the Internal Audit Committees (since 2009),  member of the Supervisory Council of DNB Poland (since 2010)

## 21. MANAGEMENT BOARD

According to the Bylaws the Management Board of *AB DNB Bankas* consists of seven members. As of 30 June 2014 the Management Board consisted of six members.

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

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

Name	Position	Information on start and end of holding the office		Education	Information about management competence and experience
		Beginning	End		
Bjørnar Lund	Chairman of the Management Board, president	24 03 2014	24 03 2018	Norwegian School of management, economist	DnB NOR Bank ASA, various positions (1987 – 2011)
Ramūnas Abazorius	Vice-chairman of the Management Board, Executive Vice-president	24 03 2014	24 03 2018	Vilnius University, master in finance	AB Lietuvos žemės ūkio bankas, manager of the Asset and Liability Management Team (1999-2001); AB Lietuvos žemės ūkio bankas, manager of the Asset and Liability Management Unit of the Financial Risk Department (2001-2003); NORD/LB, manager of the Credit Risk Unit of the Financial Risk Department (2003-2004); DnB NORD bankas, manager of the Controlling Department (2004-2010)
Dr. Šarūnas Nedzinskas	Member of the Management Board, Executive Vice-president	24 03 2014	24 03 2018	Vilnius University, Diploma in Economics; Vytautas Magnus University, MBA, 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 FM

					Finasta, Director, chairman of the Board (2007-2008); AB DnB NOR bankas advisor to the president (2008-2009), member of the Management Board (since 2009)
Vaineta Barevičiūtė	Member of the Management Board, Executive Vice-president	24 03 2014	24 03 2018	Vilnius University, law diploma; ISM university, MBA	Vilnius municipality, lawyer (1998-1999); State Tax Inspectorate at the Ministry of Finance, lawyer, deputy unit head (1999-2003); AB bankas NORD/LB Lietuva, DnB NOR bankas, unit manager, Internal audit department manager (2003-2011)
Anne Birgitte Prestholdt	Member of the Management Board, Executive Vice-president	24 03 2014	24 03 2018	The Norwegian School of Economics and Business Administration	DnB NOR Corporate Clients department, manager (1999-2003); SME Sarpsborg, manager (2003-2009); Assets Restructuring, manager (2009); Retail Norge, Akershus Østfold, Head of Quality (2009-2012)
Per Weidemann	Member of the Management Board, Executive Vice-president	24 03 2014	24 03 2018	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 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.

Internal audit committee consists of three members:

<b>Chairman</b>	<b>Tony Samuelsen.</b> Employer - <i>DNB Bank ASA.</i>
<b>Members</b>	<b>Eline Skramstad.</b> Employer - <i>DNB Bank ASA.</i> <b>Leif Rene Hansen,</b> the independent member.

In the first six months of 2014 two meetings of the Internal audit committee were held.

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:

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

Risk management committee held seven meetings in the first six months of 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:

<b>Chairwoman</b>	<b>Anne Birgitte Prestholdt,</b> Executive Vice president of the Bank.
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<b>Members</b>	<p><b>Bjornar Lund</b>, President of the Bank</p> <p><b>Dr. Šarūnas Nedzinskas</b>, Executive Vice-president of the Bank</p> <p>Representative from the Credit management department</p> <p>Representative from the Loan restructuring/Special assets department</p> <p>Representative from the Corporate banking division</p>
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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 the first six months of 2014 thirty 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:

<b>Chairwoman</b>	<b>Sigutė Dindaitė-Kairienė</b> , Manager of the Human Resources Service Department
<b>Members</b>	<p><b>Dalius Darulis</b>, Manager of the Food and Energy Business Department</p> <p><b>Vytautas Jūras</b>, Manager of the Risk Quantification and Portfolio Analysis Department</p> <p><b>Lijana Žmoginaitė</b>, Manager of the Sales Management Department,</p> <p><b>Vytautas Naruševičius</b>, Manager of the Controlling Department</p>

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

## 23. EMPLOYEES

The Group's human resources management continued to be focused on fostering 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 30 June 2014 the number of employees in the Group was 1,163 employees, 1,131 of them were employees of *AB DNB Bankas*. Within the reporting period the average number of employees in the Bank was 1,204.

During the first six months of 2014 the number of employees in the Group decreased 7.3 percent after the implemented project to upgrade the Bank's core banking system and due optimization of branch network and processes.

#### Changes in the number of employees and salaries

	31 12 2011	31 12 2012	31 12 2013	30 06 2014
Number of staff in the Bank	1 325	1 364	1 221	1 131
Number of staff in the Group	1 353	1 395	1 252	1 163
Average monthly salary in the Group in LTL	3 995	4 220	4 370	4 390

The average gross monthly salary in the Group was LTL 4,390 at the end of June 2014. As at 30 June 2014, the average monthly salary by main staff groups was as follows: LTL 9 020 to the administration (members of the Management board excluded); LTL 3,610 to specialists; LTL 2,590 to clerical staff and workers.

The Group's staff by groups of positions as of 30 June 2014

	Number of employees	Staff structure by education		
		Higher	Specialised secondary (high)	Secondary
Administration	166	158	5	3
Specialists	984	728	120	136
Clerical staff and workers	13	3	4	6
<b>Total</b>	<b>1 163</b>	<b>889</b>	<b>129</b>	<b>145</b>

24. IMPLEMENTATION OF REMUNERATION POLICY

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 guidelines and principals of AB DNB bankas Remuneration policy and of variable payments are extendedly disclosed in item no. 24 of Consolidated Annual Report for the full year 2013. Information on payments in the first six months of 2014 presented below is based on the data available on 30 June 2014. Variable remuneration was paid to the members of the Bank's administration 2013 for performance results. All amounts indicated are before taxes.

Quantitative information on remuneration by employee groups

AB DNB Bankas	Fixed remuneration (thousand LT)	Variable remuneration (thousand LT)	Average number of Recipients
Bank administration	943	586	7
Employees risk takers	208	420	2
Employees	30 435	2 500	1195
Total:	31 586	3 506	1204

The structure of the variable remuneration:

AB DNB Bankas	Variable remuneration paid in cash	Allocated deferred variable remuneration in shares	Non-allocated deferred variable remuneration in shares
Bank administration	293	293	-
Employees risk takers *	210	210	-
Employees	2 420	80	-
Total:	2 923	583	-

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

No such adjustments were made in 2014.

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:

AB DNB bankas	Number of recipients	Severance payments amount (thousand LT)	Largest amount per person (thousand LT)
	67	2,238	360

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



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

Additional retirement benefit or early retirement scheme does not apply for the 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**

	Allocated amounts (thousand LT)
<b>Overall amount to the Bank's all executives and to the chief financier.</b>	<b>1 723</b>
Under employment agreement	1 391
Employer's social insurance contributions	332
<b>Other payments including the employer's social insurance contributions*</b>	<b>398</b>
<b>Average per executive and chief financier of the Bank.</b>	<b>215</b>
Under employment agreement	174
Employer's social insurance contributions	41

\*expenses related with car rent, accommodation and settling

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

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

Part of the legal disputes were related to equity linked bonds issued by the Bank, which were acquired by the claimants from the funds borrowed from the Bank. During reporting period the Bank was a defendant in 29 civil cases with the disputed amount being approximately equal to LTL 38.4 million. Due to unfavorable market terms the bonds did not record sufficient returns while the obligation of the customers to pay interest on the loans granted remained outstanding. The customers claim that the relevant risks and terms were not properly disclosed, i.e. the Bank provided investment services not in compliance with legal requirements. Three of the cases were examined in the Supreme Court of Lithuania which stated that shortfalls in the provision of the Bank' investment services were not significant enough to recognize the customers were misled therefore the decision to transfer all negative consequences for investment losses to the Bank and to acknowledge the transaction as void is not legitimate, reasonable and correct.

## 29. SOCIAL PROJECTS

Over the first six months of 2014 *AB DNB Bankas group* actively supported relevant local and nation-wide social initiatives creating public value and shared its expertise and skills with the society.

In June 2014, at the National Responsible Business Awards organized by the Ministry of Social Security and Labour in cooperation with the Ministry of Economy and the Ministry of Environment to nominate the most socially responsible Lithuanian enterprises, *AB DNB Bankas* bank won recognition of the Healthiest Enterprise of the Year for developing the approach that a philosophy of healthy lifestyles is equivalent to a philosophy of healthy financial habits, also for promoting wellness through healthy lifestyles in Vilnius city.

To promote rational behavior in finance management and good saving habits the Bank invited to save regularly and reinforce that understanding by participating in DNB half marathon in Vilnius / Nike We run Vilnius. This international running event in Vilnius that is also held in many modern cities around the world attracted a record number of participants of 7000. Next year this running event is planned to be of larger-scale by contributing in parallel to both the healthy living and saving cultures.

All year through DNB sponsors various events promoting active lifestyles, such as DNB's ice skating rink during the Christmas season and cross-country skiing "Snow tours" having long-established traditions. Many enthusiasts of this Scandinavian sport joined DNB Nordic walking club. It is important to mention that these physical activities are suitable for all regardless their age or physical fitness.

Traditionally, in 2014 the Bank paid increasing attention to educational projects. In the spring the Bank was running the traditional project LIFTAS aimed at promotion of youth entrepreneurship and it attracted active participation of 70 gymnasiums of Lithuania. For a second consecutive the Bank was running the project "DNB Runway for Your Career" where professional human resources consultants were invited to consult youth in aiming to facilitate their inclusion into the labour market.

To promote science and innovation in 2014 for 11 years running the Bank awarded the Best Thesis along with the Lithuanian Society of Young Researchers. The Bank continued close cooperation with Lithuanian higher schools and universities, ISM University in particular, by contributing to their program called 100 Talents and involving their students in practical business projects.

To promote future-oriented projects the Bank encouraged not to forget the history - in 2014 the Bank further developed the project initiated in Vilnius last year "*V-16 - Day of Excursions*" dedicated to the Lithuanian Independence Day. This project received great public support and active participation.

In the strong belief that the national administrative culture is 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 12-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 the international competition "Baltic PR Awards 2013" this DNB basketball sponsorship campaign was ranked the best in the Baltics.

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 like operetta festival in the country's largest town Kaunas or jazz festival port city Klaipėda.

**President of AB DNB Bankas**



**Bjørnar Lund**

**Main characteristics of debt securities issued for public trading**

As of 30 June 2014 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)	100.00 (LTL)	15,000,000 (LTL)	5.00	07 05 2015	Par	10,000
<b>Security and commodity index linked notes</b>								
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	-

AB DNB Bankas  
**INTERIM CONDENSED FINANCIAL INFORMATION**  
**AS AT 30 JUNE 2014**

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

**THE GROUP AND BANK INCOME STATEMENT**

Notes	Group		Bank		Group		Bank	
	2014 2nd quarter	2013 2nd quarter	2014 2nd quarter	2013 2nd quarter	2014 1 st half	2013 1 st half	2014 1 st half	2013 1 st half
Interest income	73,026	70,718	71,256	69,146	143,959	143,368	140,579	139,984
Interest expense	(16,703)	(18,587)	(16,703)	(18,587)	(33,128)	(38,448)	(33,27)	(38,447)
<b>Net interest income</b>	<b>56,323</b>	<b>52,131</b>	<b>54,553</b>	<b>50,559</b>	<b>110,831</b>	<b>104,920</b>	<b>107,452</b>	<b>101,537</b>
Fee and commission income	31,452	30,385	31,174	30,462	61,104	56,668	60,624	56,635
Fee and commission expense	(7,975)	(6,231)	(7,800)	(6,061)	(14,334)	(11,422)	(13,953)	(11,217)
<b>Net interest, fee and commission income</b>	<b>79,800</b>	<b>76,285</b>	<b>77,927</b>	<b>74,960</b>	<b>157,601</b>	<b>150,166</b>	<b>154,123</b>	<b>146,955</b>
Net gain (loss) on operations with securities and derivative financial instruments	4,601	(4,887)	4,583	(6,194)	11,203	(1,877)	11,175	927
Net foreign exchange result	5,711	12,577	5,707	13,955	6,280	15,704	6,277	15,638
Impairment losses and provisions	(3,752)	2,068	(4,207)	1,962	(1,284)	(3,261)	(2,320)	3,465
Other income	6,318	6,841	1,208	5,027	11,052	13,764	4,092	10,965
Personnel expenses	(24,218)	(27,877)	(23,452)	(26,970)	(49,067)	(56,497)	(47,380)	(54,723)
Depreciation and amortisation	(2,950)	(2,999)	(2,935)	(2,979)	(5,956)	(6,008)	(5,932)	(5,970)
Administrative and other operating expenses	(46,248)	(50,235)	(43,651)	(47,503)	(91,801)	(96,162)	(87,153)	(91,723)
<b>Profit (loss) before income tax</b>	<b>19,262</b>	<b>11,773</b>	<b>15,180</b>	<b>12,258</b>	<b>38,028</b>	<b>15,829</b>	<b>32,882</b>	<b>25,534</b>
Income tax	(1,748)	(126)	(1,600)	-	(5,491)	(191)	(5,200)	-
<b>Net profit (loss) for the period</b>	<b>17,514</b>	<b>11,647</b>	<b>13,580</b>	<b>12,258</b>	<b>32,537</b>	<b>15,638</b>	<b>27,682</b>	<b>25,534</b>
<b>Profit (loss) attributable to:</b>								
Equity holders of the parent	17,514	11,647	13,580	12,258	32,537	15,638	27,682	25,534
<b>Earnings per share (in LTL per share)</b>								
Basic	3.07	2.04			5.70	2.74		
Diluted	3.07	2.04			5.70	2.74		

The accounting policies and notes on pages 31 to 41 are an integral part of this financial information.

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

THE GROUP AND BANK STATEMENT OF COMPREHENSIVE INCOME

	Group		Bank		Group		Bank	
	2014 2nd quarter	2013 2nd quarter	2014 2nd quarter	2013 2nd quarter	2014 1 st half	2013 1 st half	2014 1 st half	2013 1 st half
<b>Profit (loss) for the period</b>	<b>17,514</b>	<b>11,647</b>	<b>13,580</b>	<b>12,258</b>	<b>32,537</b>	<b>15,638</b>	<b>27,682</b>	<b>25,534</b>
Other comprehensive income (expenses), net of tax available - for - sale assets revaluation	-	-	-	-	-	-	-	-
Total other comprehensive income, net of tax	-	-	-	-	-	-	-	-
<b>Total comprehensive income(expenses) for the period, net of tax</b>	<b>17,514</b>	<b>11,647</b>	<b>13,580</b>	<b>12,258</b>	<b>32,537</b>	<b>15,638</b>	<b>27,682</b>	<b>25,534</b>
Total comprehensive income attributable to:								
Equity holders of the parent	17,514	11,647	13,580	12,258	32,537	15,638	27,682	25,534

The accounting policies and notes on pages 31 to 41 are an integral part of this financial information.

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

THE GROUP AND BANK STATEMENT OF FINANCIAL POSITION

	Notes	Group		Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
<b>ASSETS</b>					
Cash and balances with central banks		382,608	482,885	382,608	482,885
Due from banks		1,367,579	845,584	1,367,579	845,584
Financial assets held for trading		53,735	53,506	53,735	53,506
Financial assets designated at fair value through profit or loss	3	645,496	822,980	637,884	816,477
Derivative financial instruments		17,355	12,525	17,355	12,525
Financial assets - available for sale		-	-	-	-
Loans and advances to customers	4	9,004,566	8,942,027	9,504,802	9,411,845
Finance lease receivables		386,326	351,657	-	-
Investments in subsidiaries		-	-	237,756	237,756
Investment property	5	222,760	227,793	-	-
Property, plant and equipment	6	92,492	85,255	92,258	84,984
Intangible assets	7	12,390	11,803	12,332	11,758
Deferred income tax asset		20,604	25,804	20,604	25,804
Other assets		80,372	72,433	57,229	49,843
Non-current assets and disposal groups held for sale		42,983	40,229	1,193	3,544
<b>Total assets</b>		<b>12,329,266</b>	<b>11,974,481</b>	<b>12,385,335</b>	<b>12,036,511</b>
<b>LIABILITIES AND EQUITY</b>					
Due to banks	8	4,159,385	4,200,763	4,159,385	4,200,763
Derivative financial instruments		15,834	21,224	15,834	21,224
Due to customers	9	6,609,791	6,252,718	6,620,100	6,256,532
Debt securities in issue	10	8,440	13,464	8,440	13,464
Provisions		2,656	4,724	43,704	49,056
Other liabilities		67,939	48,904	56,095	41,377
<b>Total liabilities</b>		<b>10,864,045</b>	<b>10,541,797</b>	<b>10,903,558</b>	<b>10,582,416</b>
<b>Equity attributable to equity holders of parent</b>					
Ordinary shares	11	656,665	656,665	656,665	656,665
Share premium		282,929	282,929	282,929	282,929
Retained earnings		148,278	122,991	165,054	144,602
Reserves		377,349	370,099	377,129	369,899
		1,465,221	1,432,684	1,481,777	1,454,095
<b>Total equity</b>		<b>1,465,221</b>	<b>1,432,684</b>	<b>1,481,777</b>	<b>1,454,095</b>
<b>Total liabilities and equity</b>		<b>12,329,266</b>	<b>11,974,481</b>	<b>12,385,335</b>	<b>12,036,511</b>

These Financial Statements were signed on 29 August 2014:



B. Lund  
President



J. Šaučiūnienė  
Chief Accountant

The accounting policies and notes on pages 31 to 41 are an integral part of this financial information.

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

**GROUP STATEMENT OF CHANGES IN EQUITY**

	Issued shares	Share premium	Mandatory reserve	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2013</b>	<b>656,665</b>	<b>282,929</b>	<b>393</b>	<b>365,101</b>	<b>82,009</b>	<b>1,387,097</b>
Total comprehensive income	-	-	-	-	45,587	45,587
Transfer to mandatory reserve	-	-	4,605	-	(4,605)	-
<b>Balance at 31 December 2013</b>	<b>656,665</b>	<b>282,929</b>	<b>4,998</b>	<b>365,101</b>	<b>122,991</b>	<b>1,432,684</b>
Total comprehensive income	-	-	-	-	32,537	32,537
Transfer to mandatory reserve	-	-	7,250	-	(7,250)	-
<b>Balance at 30 Juny 2014</b>	<b>656,665</b>	<b>282,929</b>	<b>12,248</b>	<b>365,101</b>	<b>148,278</b>	<b>1,465,221</b>

**BANK STATEMENT OF CHANGES IN EQUITY**

	Issued shares	Share premium	Mandatory reserve	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2013</b>	<b>656,665</b>	<b>282,929</b>	<b>193</b>	<b>365,101</b>	<b>92,092</b>	<b>1,396,980</b>
Total comprehensive income	-	-	-	-	57,115	57,115
Transfer to mandatory reserve	-	-	4,605	-	(4,605)	-
<b>Balance at 31 December 2013</b>	<b>656,665</b>	<b>282,929</b>	<b>4,798</b>	<b>365,101</b>	<b>144,602</b>	<b>1,454,095</b>
Total comprehensive income	-	-	-	-	27,682	27,682
Transfer to mandatory reserve	-	-	7,230	-	(7,230)	-
<b>Balance at 30 Juny 2014</b>	<b>656,665</b>	<b>282,929</b>	<b>12,028</b>	<b>365,101</b>	<b>165,054</b>	<b>1,481,777</b>

The accounting policies and notes on pages 31 to 41 are an integral part of this financial information.



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

**GROUP AND BANK STATEMENT OF CASH FLOWS**

	Group		Bank		
	Notes	30 June 2014	30 June 2013	30 June 2014	30 June 2013
<b>Operating activities</b>					
Interest receipt		126,334	124,607	125,454	121,173
Interest payments		(18,948)	(38,717)	(20,882)	(39,708)
Collected previously written-off loans		4,541	3,017	4,541	3,017
Net receipt from FX trading and operations in securities		9,418	10,199	9,418	10,199
Fee and commission receipt		61,104	56,668	60,624	56,635
Fee and commission payments		(14,334)	(11,422)	(13,953)	(11,217)
Salaries and related payments		(52,659)	(58,146)	(50,747)	(56,273)
Other payments		(80,749)	(82,405)	(83,061)	(80,759)
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>		<b>34,707</b>	<b>3,801</b>	<b>31,394</b>	<b>3,067</b>
(Increase) decrease in operating assets:					
(Increase) decrease in loans to credit and financial institutions		(643,940)	(303,646)	(675,771)	(330,661)
(Increase) decrease in loans granted, except loans to credit and financial institutions		(90,404)	(138,631)	(88,789)	(137,197)
(Purchase) of trading securities		(2,275,668)	(1,600,990)	(2,275,668)	(1,600,990)
Proceeds from trading securities		2,274,947	1,590,304	2,274,947	1,590,304
(Increase) decrease in other assets		(19,767)	(50,375)	8,141	(29,953)
<b>Change in operating assets</b>		<b>(754,832)</b>	<b>(503,338)</b>	<b>(757,140)</b>	<b>(508,497)</b>
Increase (decrease) in liabilities:					
(Decrease) in liabilities to credit and financial institutions		(23,402)	(40,967)	(15,475)	(37,545)
Increase (decrease) in deposits		340,166	338,208	338,734	337,623
Increase (decrease) in other liabilities		4,854	16,974	2,952	18,273
<b>Change in operating liabilities</b>		<b>321,618</b>	<b>314,215</b>	<b>326,211</b>	<b>318,351</b>
<b>Income tax paid</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash flows from operating activities</b>		<b>(398,507)</b>	<b>(185,322)</b>	<b>(399,535)</b>	<b>(187,079)</b>
<b>Investing activities</b>					
Acquisition of property, plant, equipment and intangible assets		(12,986)	(3,458)	(12,963)	(3,434)
Disposal of property, plant, equipment and intangible assets		9	22	9	-
Purchase of securities		(351,751)	(441,009)	(349,763)	(414,858)
Proceeds from securities		535,831	477,889	534,972	450,761
Dividends received		22	4	22	2,791
Interest received		(1,139)	10,345	(1,275)	10,224
<b>Net cash flows from investing activities</b>		<b>169,977</b>	<b>43,793</b>	<b>171,002</b>	<b>45,484</b>

The accounting policies and notes on pages 31 to 41 are an integral part of this financial information.

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

**GROUP AND BANK STATEMENT OF CASH FLOWS (continued)**

	Notes	Group		Bank	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
<b>Financing activities</b>					
Own debt securities redemption		(9,117)	(7,094)	(9,117)	(7,094)
Interest paid		(236)	(1,128)	(236)	(1,128)
<b>Net cash flows from financing activities</b>		<b>(9,353)</b>	<b>(8,222)</b>	<b>(9,353)</b>	<b>(8,222)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>					
		<b>(237,883)</b>	<b>(149,751)</b>	<b>(237,886)</b>	<b>(149,817)</b>
Net foreign exchange difference on cash and cash equivalents		2,687	(25)	2,690	41
Cash and cash equivalents at 1 January		<b>745,490</b>	<b>670,575</b>	<b>745,490</b>	<b>670,575</b>
<b>Cash and cash equivalents at 30 Juny</b>	35	<b>510,294</b>	<b>520,799</b>	<b>510,294</b>	<b>520,799</b>

(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 issued by the Bank of Lithuania, which entitles to provide financial services established in the Law of the Republic of Lithuania on Banks and the Law of the Republic of Lithuania on Financial Institutions.

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 30 June 2014 the Bank owned the following subsidiaries:

- AB DNB Lizingas (leasing activities),
- UAB DNB Investicijų Valdymas (investment asset management activities),
- UAB DNB Būstas (real estate brokerage),
- UAB Intractus (real estate management, development and sale). UAB Intractus owned (0.1% of shares) company UAB 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 30 July 2014 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.

This financial information combines the consolidated financial statements for the Group and stand-alone financial statements of the parent Bank. Such format of reporting was adopted to ensure consistency of presentation with the format prescribed by the Bank of Lithuania and applied for statutory reporting.

Amounts shown in this financial information 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.

### **Basis of preparation**

The Bank and the Group condensed interim financial information was prepared in accordance with IAS 34. The interim consolidated financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

### **Use of estimates in the preparation of condensed interim financial information**

The preparation of financial information 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.

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

## SEGMENT INFORMATION

### 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 2014 or 2013.

### 30 June 2014

	Banking	Leasing	Invest- ment manage- ment	Real estate brokerage	Real estate management, development and sale	Eliminations	Group
Third party	137,151	6,719	86	3	-	-	143,959
Inter-segment	3,428	4	-	-	-	(3,432)	-
<b>Total interest income</b>	<b>140,579</b>	<b>6,723</b>	<b>86</b>	<b>3</b>	<b>-</b>	<b>(3,432)</b>	<b>143,959</b>
Third party	(33,127)	-	(1)	-	-	-	(33,128)
Inter-segment	-	(1,983)	-	-	(1,445)	3,428	-
<b>Total interest expense</b>	<b>(33,127)</b>	<b>(1,983)</b>	<b>(1)</b>	<b>-</b>	<b>(1,445)</b>	<b>3,428</b>	<b>(33,128)</b>
Third party	104,024	6,719	85	3	-	-	110,831
Inter-segment	3,428	(1,979)	-	-	(1,445)	(4)	-
<b>Net interest income</b>	<b>107,452</b>	<b>4,740</b>	<b>85</b>	<b>3</b>	<b>(1,445)</b>	<b>(4)</b>	<b>110,831</b>
Third party	60,314	(31)	3,309	661	-	-	64,253
Inter-segment	3,809	(2,514)	(549)	404	(3)	(1,147)	-
<b>Net income from the other main operations</b>	<b>64,123</b>	<b>(2,545)</b>	<b>2,760</b>	<b>1,065</b>	<b>(3)</b>	<b>(1,147)</b>	<b>64,253</b>
Third party	(130,547)	224	(808)	(706)	2,021	-	(129,816)
Inter-segment	106	(882)	(60)	(16)	(299)	1,151	-
<b>Total administrative and other operating expenses/ income</b>	<b>(130,441)</b>	<b>(658)</b>	<b>(868)</b>	<b>(722)</b>	<b>1,722</b>	<b>1,151</b>	<b>(129,816)</b>
Depreciation and amortisation	(5,932)	-	(6)	(12)	(6)	-	(5,956)
Impairment losses and provisions	(5,604)	4,319	-	-	1	-	(1,284)
<b>Profit (loss) before tax</b>	<b>29,598</b>	<b>5,856</b>	<b>1,971</b>	<b>334</b>	<b>269</b>	<b>-</b>	<b>38,028</b>
Income tax	-	-	(291)	-	-	-	(291)
Change of deferred tax	(5,200)	-	-	-	-	-	(5,200)
<b>Net profit (loss)</b>	<b>24,398</b>	<b>5,856</b>	<b>1,680</b>	<b>334</b>	<b>269</b>	<b>-</b>	<b>32,537</b>
Capital expenditure	14,120	-	-	30	2	-	14,152
<b>Shareholders' equity</b>	<b>1,481,777</b>	<b>76,247</b>	<b>8,440</b>	<b>2,117</b>	<b>134,734</b>	<b>(238,094)</b>	<b>1,465,221</b>
<b>Total assets</b>	<b>12,385,335</b>	<b>455,113</b>	<b>8,853</b>	<b>2,817</b>	<b>267,444</b>	<b>(790,296)</b>	<b>12,329,266</b>
<b>Total liabilities</b>	<b>10,903,558</b>	<b>378,866</b>	<b>413</b>	<b>700</b>	<b>132,710</b>	<b>(552,202)</b>	<b>10,864,045</b>

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

SEGMENT INFORMATION (CONTINUED)

30 June 2013

	Banking	Leasing	Invest- ment manage- ment	Real estate brokerage	Real estate management, development and sale	Eliminations	Group
Third party	136,998	6,279	91	-	-	-	143,368
Inter-segment	2,986	6	-	-	-	(2,992)	-
<b>Total interest income</b>	<b>139,984</b>	<b>6,285</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>(2,992)</b>	<b>143,368</b>
Third party	(38,447)	-	(1)	-	-	-	(38,448)
Inter-segment	-	(1,549)	-	(3)	(1,434)	2,986	-
<b>Total interest expense</b>	<b>(38,447)</b>	<b>(1,549)</b>	<b>(1)</b>	<b>(3)</b>	<b>(1,434)</b>	<b>2,986</b>	<b>(38,448)</b>
Third party	98,551	6,279	90	-	-	-	104,920
Inter-segment	2,986	(1,543)	-	(3)	(1,434)	(6)	-
<b>Net interest income</b>	<b>101,537</b>	<b>4,736</b>	<b>90</b>	<b>(3)</b>	<b>(1,434)</b>	<b>(6)</b>	<b>104,920</b>
Third party	58,498	121	2,865	384	-	(2,787)	59,081
Inter-segment	3,485	(2,148)	(654)	241	(1)	(923)	-
<b>Net income from the other main operations</b>	<b>61,983</b>	<b>(2,027)</b>	<b>2,211</b>	<b>625</b>	<b>(1)</b>	<b>(3,710)</b>	<b>59,081</b>
Third party	(135,418)	1,017	(684)	(331)	(3,487)	-	(138,903)
Inter-segment	(63)	(683)	(60)	(14)	(109)	929	-
<b>Total administrative and other operating expenses/ income</b>	<b>(135,481)</b>	<b>334</b>	<b>(744)</b>	<b>(345)</b>	<b>(3,596)</b>	<b>929</b>	<b>(138,903)</b>
Depreciation and amortisation	(5,970)	(17)	(2)	(14)	(5)	-	(6,008)
Impairment losses and provisions	(1,803)	(1,428)	-	(30)	-	-	(3,261)
<b>Profit (loss) before tax</b>	<b>20,266</b>	<b>1,598</b>	<b>1,555</b>	<b>233</b>	<b>(5,036)</b>	<b>(2,787)</b>	<b>15,829</b>
Income tax	-	-	(240)	-	-	-	(240)
Change of deferred tax	-	-	49	-	-	-	49
<b>Net profit (loss)</b>	<b>20,266</b>	<b>1,598</b>	<b>1,364</b>	<b>233</b>	<b>(5,036)</b>	<b>(2,787)</b>	<b>15,638</b>
Capital expenditure	3,434	-	-	22	2	-	3,458
<b>Year ended 31 December 2013</b>							
<b>Shareholders' equity</b>	<b>1,454,095</b>	<b>73,675</b>	<b>6,760</b>	<b>1,783</b>	<b>134,465</b>	<b>(238,094)</b>	<b>1,432,684</b>
<b>Total assets</b>	<b>12,036,511</b>	<b>417,646</b>	<b>7,745</b>	<b>2,575</b>	<b>267,042</b>	<b>(757,038)</b>	<b>11,974,481</b>
<b>Total liabilities</b>	<b>10,582,416</b>	<b>343,971</b>	<b>985</b>	<b>792</b>	<b>132,577</b>	<b>(518,944)</b>	<b>10,541,797</b>

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)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

NOTE 1 IMPAIRMENT LOSSES AND PROVISIONS

	Group		Bank		Group		Bank	
	2014 2nd quarter	2013 2nd quarter	2014 2nd quarter	2013 2nd quarter	2014 1 st half	2013 1 st half	2014 1 st half	2013 1 st half
Impairment losses on loans:								
Increase (decrease) of impairment losses, net	11,322	(1,251)	11,322	(1,251)	14,460	4,646	14,460	4,646
Recovered previously written off loans	(3,038)	(1,718)	(3,038)	(1,718)	(4,541)	(3,016)	(4,541)	(3,016)
Total impairment losses on loans	8,284	(2,969)	8,284	(2,969)	9,919	1,630	9,919	1,630
Impairment losses on finance lease receivables	(666)	804	-	-	(4,751)	(5,714)	-	-
Impairment losses for other assets	437	(26)	-	-	432	7,172	-	-
For investment properties	-	-	-	-	(1)	-	-	-
Expenses for provisions on: guarantees and other contingent liabilities	-	123	226	1,007	(12)	173	(3,296)	(5,095)
Other provisions	(4,303)	-	(4,303)	-	(4,303)	-	(4,303)	-
<b>Total</b>	<b>3,752</b>	<b>(2,068)</b>	<b>4,207</b>	<b>(1,962)</b>	<b>1,284</b>	<b>3,261</b>	<b>2,320</b>	<b>(3,465)</b>

NOTE 2 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.

Group Earnings per share

	2014 2nd quarter	2013 2nd quarter	2014 1 st half	2013 1 st half
Net profit	17,514	11,647	32,537	15,638
Weighted average number of registered issued shares (units)	5,710,134	5,710,134	5,710,134	5,710,134
	<b>3.07</b>	<b>2.04</b>	<b>5.70</b>	<b>2.74</b>

As at 30 June 2014 and as at 30 June 2013 diluted earnings per share ratios are the same as basic earnings per share.

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

**NOTE 3 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

**Group**

	2014.06.30			2013.12.31		
	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
<b>Debt securities</b>						
Government bonds and treasury bills of the Republic of Lithuania	642,049	-	-	821,544	-	-
<b>Equity securities</b>						
Units of funds	2,519	-	-	516	-	-
Other	928	-	-	920	-	-
<b>Total</b>	<b>645,496</b>	<b>-</b>	<b>-</b>	<b>822,980</b>	<b>-</b>	<b>-</b>

**Bank**

	2014.06.30			2013.12.31		
	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
<b>Debt securities</b>						
Government bonds and treasury bills of the Republic of Lithuania	636,956	-	-	815,557	-	-
<b>Equity securities</b>						
Units of funds	-	-	-	-	-	-
Other	928	-	-	920	-	-
<b>Total</b>	<b>637,884</b>	<b>-</b>	<b>-</b>	<b>816,477</b>	<b>-</b>	<b>-</b>

**NOTE 4 LOANS AND ADVANCES TO CUSTOMERS**

	Group		Bank	
	30 06 2014	31 12 2013	30 06 2014	31 12 2013
Loans and advances to financial institutions	24,606	37,924	396,889	377,994
Loans to business customers	5,126,359	5,199,817	5,254,312	5,329,565
Loans to individuals (retail)	4,392,676	4,300,302	4,392,676	4,300,302
<b>Total gross loans granted</b>	<b>9,543,641</b>	<b>9,538,043</b>	<b>10,043,877</b>	<b>10,007,861</b>
Total allowance for impairment:	539,075	596,016	539,075	596,016
to business customers	326,497	362,787	326,497	362,787
to individuals	212,578	233,229	212,578	233,229
<b>Total net loans and advances to customers</b>	<b>9,004,566</b>	<b>8,942,027</b>	<b>9,504,802</b>	<b>9,411,845</b>

Considering deteriorated financial strength and likely recovery the Bank had accounted for material impairment losses on an individual client loans (assigned to the banking business segment of the Group). Gross loans amounted to LTL 14,887 thousand, accrued interests – LTL 2,227 thousand on 30 June 2014, impairment losses for them amounted to LTL 2,574 thousand year-to-date, of which for accrued interests – LTL 180 thousand. Fair value was determined using discounting cash flow method as it is described in the accounting policy.

Material recovery on an individual item (assigned to the banking business segment of the Group) amounted to LTL 9,055 thousand year-to-date



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

**NOTE 5 INVESTMENT PROPERTY**

	<b>Group</b>	<b>Bank</b>
<b>Book value as at 1 January 2014</b>	<b>227,793</b>	-
Acquisitions	17,367	-
Acquisitions, capitalised investments	101	-
Disposals	(22,502)	-
Net gains resulting from adjustment to fair value	1	-
<b>Book value as at 30 June 2014</b>	<b>222,760</b>	-

**NOTE 6 PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Buildings and premises</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
Cost:				
At 1 January 2014	98,625	1,487	79,463	179,575
Acquisitions	-	-	12,119	12,119
Disposals and write-offs	-	(87)	(3,669)	(3,756)
<b>At 30 June 2014</b>	<b>98,625</b>	<b>1,400</b>	<b>87,913</b>	<b>187,938</b>
Depreciation and impairment:				
At 1 January 2014	31,949	201	62,170	94,320
Disposals and write-offs	-	54	(3,438)	(3,384)
Depreciation charge for year	1,081	101	3,328	4,510
<b>At 30 June 2014</b>	<b>33,030</b>	<b>356</b>	<b>62,060</b>	<b>95,446</b>
Net book value:				
<b>At 31 December 2013</b>	<b>66,676</b>	<b>1,286</b>	<b>17,293</b>	<b>85,255</b>
<b>At 30 June 2014</b>	<b>65,595</b>	<b>1,044</b>	<b>25,853</b>	<b>92,492</b>
Economic life (in years)	50	6	3-10	-
<b>Bank</b>	<b>Buildings and premises</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
Cost:				
At 1 January 2014	98,625	1,219	79,090	178,934
Acquisitions	-	-	12,113	12,113
Disposals and write-offs	-	-	(3,684)	(3,684)
<b>At 30 June 2014</b>	<b>98,625</b>	<b>1,219</b>	<b>87,519</b>	<b>187,363</b>
Depreciation and impairment:				
At 1 January 2014	31,949	255	61,746	93,950
Disposals and write-offs	-	-	(3,344)	(3,344)
Depreciation charge for year	1,081	101	3,317	4,499
<b>At 30 June 2014</b>	<b>33,030</b>	<b>356</b>	<b>61,719</b>	<b>95,105</b>
Net book value:				
<b>At 31 December 2013</b>	<b>66,676</b>	<b>964</b>	<b>17,344</b>	<b>84,984</b>
<b>At 30 June 2014</b>	<b>65,595</b>	<b>863</b>	<b>25,800</b>	<b>92,258</b>
Economic life (in years)	50	6	3-10	-

The Bank (Group) had ownership title to all of the intangible assets, property and equipment as at 30 June 2014.

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

**NOTE 7 INTANGIBLE ASSETS**

	<b>Group</b>	<b>Bank</b>
Cost:		
At 1 January 2014	30,112	28,717
Acquisitions	2,033	2,007
Disposals and write-offs	(120)	(120)
<b>At 30 June 2014</b>	<b>32,025</b>	<b>29,434</b>
Depreciation and write-downs:		
At 1 January 2014	18,309	16,959
Disposals	(120)	(120)
Depreciation charge for year	1,446	1,433
<b>At 30 June 2014</b>	<b>19,635</b>	<b>18,272</b>
Net book value:		
<b>At 31 December 2013</b>	<b>11,803</b>	<b>11,758</b>
<b>At 30 June 2014</b>	<b>12,390</b>	<b>12,332</b>
Economic life (in years)	3-5	5

No assets were pledged to a third party as at 30 June 2014. Intangible assets include purchased computer software and software licences.

**NOTE 8 DUE TO BANKS**

	<b>Group</b>		<b>Bank</b>	
	<b>30 06 2014</b>	<b>31 12 2013</b>	<b>30 06 2014</b>	<b>31 12 2013</b>
<u>Funds of banks:</u>				
Demand deposits	19,568	57,727	19,568	57,727
Term deposits	107,255	107,153	107,255	107,153
Loans	4,032,562	4,035,883	4,032,562	4,035,883
<b>Total,</b>	<b>4,159,385</b>	<b>4,200,763</b>	<b>4,159,385</b>	<b>4,200,763</b>

**NOTE 9 DUE TO CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	<b>30 06 2014</b>	<b>31 12 2013</b>	<b>30 06 2014</b>	<b>31 12 2013</b>
Demand deposits:				
Business customers (financial and corporate)	2,961,642	2,603,808	2,971,951	2,607,622
Individuals	2,003,478	1,801,327	2,003,478	1,801,327
<b>Total demand deposits</b>	<b>4,965,120</b>	<b>4,405,135</b>	<b>4,975,429</b>	<b>4,408,949</b>
Term deposits				
Business customers (financial and corporate)	364,184	432,282	364,184	432,282
Individuals	1,275,009	1,408,018	1,275,009	1,408,018
<b>Total term deposits</b>	<b>1,639,193</b>	<b>1,840,300</b>	<b>1,639,193</b>	<b>1,840,300</b>
Term loan	5,478	7,283	5,478	7,283
<b>Total</b>	<b>6,609,791</b>	<b>6,252,718</b>	<b>6,620,100</b>	<b>6,256,532</b>

As at 30 June 2014 Group deposits of LTL 26,792 thousand (2013: LTL 18,686 thousand) and Bank deposits LTL 27,032 thousand (2013: LTL 18,956 thousand) held as collateral for irrevocable commitments under import letter of credit, guarantees and loans were included in customer accounts

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

**NOTE 10 DEBT SECURITIES IN ISSUE**

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

	Currency	Interest rate	Maturity	Carrying value	
				30 06 2014	31 12 2013
<b>Index linked bonds</b>					
	LTL	-	2014	5,556	8,056
	EUR	-	2014	-	1,983
				1,611	1,408
				13	50
				<b>7,180</b>	<b>11,497</b>
<b>Other bonds</b>					
	LTL	4.18 p.a.	2014	1,060	1,038
	LTL	5.00 p.a.	2015	200	929
				<b>1,260</b>	<b>1,967</b>
				<b>8,440</b>	<b>13,464</b>

**NOTE 11 SHARE CAPITAL**

Share premium amounted to LTL 282,929 thousand as at 30 June 2014 (as at 31 December 2013 – LTL 282,929 thousand).

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

	30 06 2014			31 12 2013		
	Number of shares	Nominal value, LTL thousand	%	Number of shares	Nominal value, LTL thousand	%
DNB Bank ASA	5,710,134	656,665	100	5,710,134	656,665	100
<b>Total</b>	<b>5,710,134</b>	<b>656,665</b>	<b>100</b>	<b>5,710,134</b>	<b>656,665</b>	<b>100</b>

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

**NOTE 12 CONTINGENT LIABILITIES AND COMMITMENTS**

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

	Group		Bank	
	30 06 2014	31 12 2013	30 06 2014	31 12 2013
Guarantees	384,188	417,525	643,802	649,705
Letters of credit	13,081	4,372	13,081	4,372
Commitments to grant loans	1,187,142	1,198,897	1,521,232	1,549,852
Commitments to grant finance leases	8,566	3,874	-	-
Capital commitments and other commitments to acquire assets	2,876	3,140	1,679	2,586
Other commitments	35,435	13,444	35,435	13,444
<b>Total</b>	<b>1,631,288</b>	<b>1,641,252</b>	<b>2,215,229</b>	<b>2,219,959</b>

**Operating lease commitments – where the Group (the Bank) is the lessee**

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

	Group		Bank	
	30 06 2014	31 12 2013	30 06 2014	31 12 2013
Not later than 1 year	745	745	745	745
Later than 1 year and not later than 5 years	70	435	70	435
Later than 5 years				
<b>Total</b>	<b>815</b>	<b>1,180</b>	<b>815</b>	<b>1,180</b>

**NOTE 13 CASH AND CASH EQUIVALENTS**

	Group		Bank	
	30 06 2014	31 12 2013	30 06 2014	31 12 2013
Cash	251,447	297,796	251,447	297,796
Correspondent accounts with other banks	117,686	88,256	117,686	88,256
Overnight deposits	10,000	174,349	10,000	174,349
Required reserves in national currency in Central Bank	131,161	185,089	131,161	185,089
<b>Total</b>	<b>510,294</b>	<b>745,490</b>	<b>510,294</b>	<b>745,490</b>

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

**NOTE 14 RELATED PARTY TRANSACTIONS**

In the normal course of business, the Bank enters into banking transactions with large shareholders, members of the Council and the Board as well as subsidiaries.

The following balances were outstanding with the parent Bank:

	<b>30 06 2014</b>	<b>31 12 2013</b>
<b>Assets</b>		
Correspondent bank accounts	35,677	40,443
Overnight deposits	10,000	174,349
Term deposits	1,225,778	569,754
Derivative financial instruments	5,318	7,313
Other assets	58	146
Receivable	33	32
<b>Liabilities</b>		
Correspondent bank accounts	949	701
Overnight deposits	-	2,497
Term deposits	107,255	107,153
Derivative financial instruments	9,786	14,135
Loans	4,006,545	4,006,120
Payable	1,937	1,200
Other liabilities	1,499	166
<b>Income</b>	<b>30 06 2014</b>	<b>30 06 2013</b>
Interest	1,464	1,041
Fee and commission	266	13
Net gain (loss) from foreign exchange	(10,703)	(199)
Net gain (loss) from operations with financial instruments	(11,553)	(4,282)
Others		
<b>Expenses</b>		
Interest	13,228	12,056
Fee and commission	290	127
Others	1,843	2,385

The following balances were outstanding with DNB Group companies:

	<b>30 06 2014</b>	<b>31 12 2013</b>
<b>Assets</b>		
Correspondent bank accounts	4,370	3,670
Other assets	2	-
<b>Liabilities</b>		
Correspondent bank accounts	941	3,011
Payable	3978	
Other liabilities	-	1,211
<b>Income</b>	<b>30 06 2014</b>	<b>30 06 2013</b>
Interest	-	77
Fee and commission	8	2
Net gain (loss) from foreign exchange	(1)	(8)
Net gain (loss) from operations with financial instruments	26	(5)
Other	-	5,353
<b>Expenses</b>		
Interest	6	2,311
Fee and commission	581	116
Other	22,713	35,031

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

**NOTE 14 RELATED PARTY TRANSACTIONS (CONTINUED)**

The following balances were outstanding on the Bank balance sheet with subsidiaries:

<b>Assets</b>	<b>30 06 2014</b>	<b>31 12 2013</b>
Loans	500,236	469,818
Equity securities	237,756	237,756
Other assets	711	934
<b>Liabilities</b>		
Demand deposits	10,309	3,814
Other liabilities	471	664

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

<b>Income</b>	<b>30 06 2014</b>	<b>30 06 2013</b>
Interest	3,428	2,986
Fee and commission	3,809	3,547
Dividends	-	2,787
Other	220	27
<b>Expenses</b>		
Fee and commission	-	62
Other	114	90