

JSC FBC “ORION SECURITIES”

Independent Auditor's Report,
Financial Statements
and
the Company's Annual Report
for the year ended
on 31 December 2013

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INDEPENDENT AUDITOR'S REPORT

To shareholders of JSC FBC "Orion Securities"

Report on the Financial Statements

We have audited the financial statements of JSC FBC "Orion Securities", joint stock company incorporated in the Republic of Lithuania (hereinafter – the Company), which comprise the Statement of Financial Condition as of 31 December 2013, the Statement of Comprehensive Income, Changes in Equity, Cash Flows, and Explanatory Notes (a summary of significant accounting policies and other explanatory information) for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the below financial statements present fairly, in all material respects, the financial position of JSC FBC "Orion Securities" as at December 31, 2013, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the below Annual Report of the Company for 2013 and have not noted any material inconsistencies between the financial information included in it and the audited Financial statements for 2013.

/Signature/

Auditor Ona Armalienė

25 March 2014

Laisvės Ave. 9-5, LT- 44237 Kaunas
Republic of Lithuania

Auditor's Certificate No. 000008
AUDIT JSC O.ARMALIENĖ IR PARTNERIAI
Audit Company's Certificate No. 001242

JSC FBC "ORION SECURITIES"

(company name)

Legal entity code 122033915, address: A.Tumeno str.4, Vilnius

(Legal entity code, address, other information)

(Approval mark)

STATEMENT OF COMPREHENSIVE INCOME as of 31 December 2013 B**20-03-2014 No. 2**

(reporting date)

01 01 2013 - 31 12 2013

(reporting period)

LTL, in Litas

(reporting accuracy degree and currency)

No.	Items	Note No.	as of 31 December 2013	31 December 2012
I.	Commissions, management and servicing revenue	8	4.740.261	4.358.665
II.	Commissions, management and servicing expenses	9	3.324.294	2.852.628
III.	Revenue from equity securities	15	53.962	66.414
III.1	Shares and other equity securities	15	53.962	66.414
III.2.	Investments in associates			
III.3.	Investments in subsidiaries			
IV.	Interest and related revenue	15	844.477	792.793
IV.1.	On non-equity securities	15	835	5.546
IV.2.	On loans granted	15	123.977	59.313
IV.3.	Other	15	719.665	727.934
V.	Interest and related expenses	15	307.637	437.397
V.1.	On non-equity securities issued			
V.2.	On loans received	15	307.637	437.397
V.3.	Other			
VI.	Profit (loss) from financial operations		134.644	72.739
VI.1.	Profit (loss) from trade in securities	15	87.861	126.699
VI.2.	Profit (loss) from foreign exchange	15	68.615	46.616
VI.3.	Other profit (loss) from financial operations		(21.832)	(100.576)
VII.	Administrative expenses	11	2.045.600	1.841.882
VIII.	Correction of value of loans and prepayments	12	75.799	(173.108)
IX.	Correction of value of securities	15	24.135	12.554
IX.1.	Impairment and recovery of securities			
IX.2.	Changes in fair value of securities	15	24.135	12.554
X.	Correction of tangible and intangible assets			
X.1.	Impairment and recovery tangible assets			
X.2.	Changes in fair value of tangible assets			
X.3.	Impairment and recovery of intangible assets			
XI.	Provision expenses			
XII.	Other activities income	14	4.320	15.047
XIII.	Other activities expenses			

No.	Items	Note No.	as of 31 December 2013	31 December 2012
XIV.	PROFIT (LOSS) FROM ORDINARY ACTIVITIES		200.067	13.197
XV.	Extraordinary gains			
XVI.	Extraordinary losses			
XVII.	PROFIT (LOSS) FROM EXTRAORDINARY ACTIVITIES			
XVIII.	Income tax	16	32.565	4.411
XIX.	Other taxes			
XX.	NET PROFIT (LOSS)		167.502	8.786

Director

(position of the head of the company)

(signature)

Alius Jakubēlis

(name and surname)

Accountant by attorney

(title of position of chief accountant (accountant) or other
person competent to manage the accounting)

(signature)

Dainius Minelga

(name and surname)

JSC FBC "ORION SECURITIES"

(company name)

Legal entity code 122033915, address: A.Tumeno str.4, Vilnius

(Legal entity code, address, other information)

(Approval mark)

STATEMENT OF FINANCIAL CONDITION as of 31 December 2013**20-03-2014 No. 1**

(reporting date)

01 01 2013 - 31 12 2013

(reporting period)

LTL, in Litas

(reporting accuracy degree and currency)

	ASSETS	Note No.	31 December 2013	31 December 2012	1 January 2012
A.	ASSETS	4	14,073,609	9,918,997	8,268,294
I.	Cash and cash equivalents	1,4	4,656,044	1,497,224	1,509,960
II.	Treasury bills and other bills purchased by central banks				
II.1.	Treasury bills				
II.2.	Other bills purchased by central banks				
III.	Loans and prepayments to financial institutions				
III.1.	On demand				
III.2.	Other loans and prepayments				
IV.	Loans and prepayments to clients	4	2,727,434	1,873,811	1,565,204
V.	Other receivables	4	1,299,134	2,016,266	1,164,713
V.1.	Associated with the services provided by the Company		355,259	975,114	436,452
V.2.	Accrued income		32,312	23,425	
V.3.	Other receivables		911,563	1,017,727	728,261
VI.	Non-equity securities	2,4	210,306	187,973	148,261
VI.1.	Issued by other companies	2,4	210,306	140,003	105,421
VI.1.1.	Bonds	2,4	210,306	140,003	105,421
VI.1.2.	Bills				
VI.1.3.	Other non-equity securities				
VI.2.	Issued by public entities	2,4		47,970	42,840
VI.2.1.	Bonds	2,4		47,970	42,840
VI.2.2.	Bills				
VI.2.3.	Other non-equity securities				
VII.	Equity securities	2,4	4,840,179	3,935,558	3,651,492
VII.1.	Shares	2,4	4,738,987	3,759,489	3,394,901
VII.2.	Depository receipts for shares	2,4	43,319	168,337	218,698
VII.3.	Collective investment fund units	2,4	57,873	7,732	37,893
VII.4.	Other equity securities				
VIII.	Investments in associates				
VIII.1.	Investments in financial institutions				
VIII.2.	Investments in other associated undertakings				

	ASSETS	Note No.	as of 31 December 2013	31 December 2012	1 January 2012
IX.	Investments in subsidiaries				
IX.1.	Investments in financial institutions				
IX.2.	Investments in other subsidiaries				
X.	TANGIBLE ASSETS	3,4	242.363	297.233	96.679
X.1.	Land				
X.2.	Buildings				
X.3.	Other tangible assets	3,4	242.363	297.233	96.679
X.3.1.	Vehicles	3,4	175.626	213.576	4.305
X.3.2.	Fixtures, fittings, tools and equipment				
X.3.3.	Investment property				
X.3.4.	Inventory				
X.3.5.	Other tangible assets	3,4	66.737	83.657	92.374
XI.	INTANGIBLE ASSETS	3,4	40.290	56.397	87.275
XI.1.	Goodwill				
XI.2.	Other intangible assets	3,4	40.290	56.397	87.275
XI.2.1.	Development works				
XI.2.2.	Licences				
XI.2.3.	Computer software	3,4	40.290	56.397	87.275
XI.2.4.	Other intangible assets				
XII.	OTHER ASSETS		57.859	54.535	44.710
XII.1.	Deferred tax assets	16	27.555	44.355	34.365
XII.2.	Deferred expenses	4	30.304	10.180	10.345
XII.3.	Other assets				
	TOTAL ASSETS:	4	14.073.609	9.918.997	8.268.294

	EQUITY AND LIABILITIES	Note No.	as of 31 December 2013	31 December 2012	1 January 2012
B.	AMOUNTS PAYABLE AND LIABILITIES	4	8,300.172	4,313.062	2,671.145
I.	Payables and liabilities to financial institutions	4	4,210.812	1,684.026	187.341
I.1.	On demand	4	4,210.812	1,684.026	187.341
I.2.	Fixed maturity				
II.	Payables and liabilities to clients	4	68.575	244.635	565.191
II.1.	On demand		68.575	244.635	161.213
II.2.	Fixed maturity				403.978
II.2.1.	Proceeds from borrowings				403.978
II.2.2.	Associated with the services provided by the Company				
III.	Non-equity securities issued and other liabilities				
IV.	Other amounts payable and liabilities	4	2,639.665	1,003.281	537.493
IV.1.	Income tax liabilities	4	15.765	14.401	102.635
IV.2.	Deferred tax liabilities	16			
IV.3.	Liabilities related to employment relations	4	390.323	331.021	316.857
IV.4.	Accrued expenses and deferred income	4	50.776	107.543	33.850
IV.5.	Other amounts payable and liabilities	4	2,182.801	550.316	84.151
V.	Provisions				
VI.	Subordinated liabilities	4	1,381.120	1,381.120	1,381.120
C.	EQUITY		5,773.437	5,605.935	5,597.149
I.	Authorised (subscribed) capital	5	5,500.040	5,500.040	5,500.040
II.	Subscribed uncalled authorised capital (-)				
III.	Share premium				
IV.	Own shares (-)				
V.	Reserves		105.895	97.109	
V.1.	Legal		105.895	97.109	
V.2.	For acquiring own shares				
V.3.	Other reserves				
VI.	Revaluation reserve (results)				
VII.	Retained earnings (losses)	6	167.502	8.786	97.109
VII.1.	Profit (loss) of the previous years				(1 773 966)
VII.2.	Profit (loss) of the reporting year		167.502	8.786	1,871.075
	TOTAL EQUITY AND LIABILITIES		14,073.609	9,918.997	8,268.294

OFF-BALANCE SHEET

	Off-balance sheet items	Note No.	as of 31 December 2013	31 December 2012	1 January 2012
I.	Guarantees and suretyships granted				
II.	Managed client assets		705.872.609	518.587.517	305.706.440
II.1.1.	Client cash and cash equivalents		59.482.660	126.029.024	43.582.467
II.1.2.	Securities purchased on behalf of clients		643.956.531	391.137.032	260.794.790
II.1.3.	Amounts receivable from transactions conducted at the client account				
II.1.4.	Pledge client securities				
II.1.5.	Securities purchased at clients under reverse repurchase agreements		2.433.418	1.421.461	1.329.183
III.	Other off-balance sheet liabilities		555.000	735.000	146.898
IV.	Amount of clients' transactions of derivative financial instruments with a third party	7	11.768.598	23.545.255	51.275.725
V.	Financial instruments, based on which clients concluded CFD with a third party	7	10.245.182	11.857.506	
VI.	Financial instruments, based on which clients concluded CFD with the company	7	9.552.006	7.424.976	5.993.143
VI.1.	Financial instruments, based on which the company purchased securities as CFD leverage		4.983.466	3.054.187	1.813.677
VI.2.	Financial instruments, based on which the company concluded CFD with a third party		4.568.540	4.370.789	4.179.466

Director

(position of the head of the company)

(signature)

Alius Jakubėlis

(name and surname)

Accountant by attorney

(title of position of chief accountant (accountant) or other person competent to manage the accounting)

(signature)

Dainius Minelga

(name and surname)

(Approval mark)

STATEMENT OF CHANGES IN EQUITY as of 31 December 2013

20-03-2014 No. 4

(reporting date)

01 01 2013 - 31 12 2013

(reporting period)

LTL, in Lithas

	up authorised capital	Share premium	Own shares ()	Reserves			Revaluation reserves		Retained earnings (losses)	Total
				Legal	For acquiring own shares	Other	of non-current tangible assets	of financial assets		
1. Balance at the end of the reporting period before previous	5,500,040			-					97,109	5,597,149
2. Result of changes in accounting policies										-
3. Result of correcting material errors										-
4. Recalculated balance at the end of the reporting period before previous	5,500,040	-	-	-		-	-		97,109	5,597,149
5. Increase/ decrease in the value of non-current tangible assets										-
6. Increase/ decrease in the value of financial assets										-
7. Acquisition / sales of own shares										-
8. Profit / loss not recognised in the income statement										-
9. Net profit / loss of the reporting period	-								8,786	8,786
10. Dividends										-
11. Other payments										-
12. Formed reserves				97,109					(97,109)	-
13. Used reserves										-
14. Increase / reduction of authorised capital										-
15. Balance at the end of the previous reporting period	5,500,040	-	-	97,109	-	-	-		8,786	5,605,935
16. Increase/ decrease in the value of non-current tangible assets										-
17. Increase / decrease in the value of financial assets										-
18. Acquisition / sales of own shares										-
19. Profit / loss not recognised in the income statement										-
20. Net profit / loss of the reporting period	-								167,502	167,502
21. Dividends										-
22. Other payments										-
23. Formed reserves				8,786					(8,786)	-
24. Used reserves										-
25. Increase/ reduction of authorised capital										-
26. Balance at the end of the current reporting period	5,500,040	-	-	105,895	-	-	-	-	167,502	5,773,437

Director

(position of the head of the company)

(signature)

Allius Jakubelis

(name and surname)

Accountant by attorney

(title of position of chief accountant (accountant) or other person competent to manage the accounting)

(signature)

Dainius Minelga

(name and surname)

JSC FBC "ORION SECURITIES"

Legal entity code 122033915, address A.Tumeno str.4, Vilnius

EXPLANATORY NOTES

TO FINANCIAL STATEMENTS FOR 2013
(All amounts are in Litas unless otherwise stated)

Date of compilation 20 March 2014 No.1

I. GENERAL INFORMATION

Joint stock company FBC "Orion Securities" (hereinafter – the Company) was established on 12 August 1993. Vilnius Legal Entities Register's registration No.AB 93-1009. On 3 November, 1997, the Company was re-incorporated in the Ministry of Economy of the Republic of Lithuania, registration No. 97-331. Legal entity code 122033915. By 12 January, 2007, the Company was named JSC FBC "Baltijos securities."

The Company's authorised capital is 5,500,040 (Five million five hundred thousand and forty) Litas, consisting of 78,572 shares with a par value – 70 Lt each. The shares are fully paid.

In 2013, the Company's shareholders were the following two: "East Europe Investment Group" (reg. office at Savanoriu Ave.119-3, Kaunas, legal entity code 300606588), which belongs to the Scaent Baltic Group (51 pct.), and "Lumiere Holdings B.V." financial services company incorporated in the Kingdom of the Netherlands, legal entity code 34366670 (49 pct.).

The Company's activities – financial brokerage. Since 6 September, 2007, the Company has a special A Category License, which enables the Company to engage in any activities set out in the Law on Securities Market of the Republic of Lithuania. Currently, there are four main groups of the services provided: security contracts brokerage, corporate finance, market making, and asset management services.

In 2013, an average number of employees was 26.9.

At the end of the financial year, the Company had 24 employees.

At the end of the previous financial year, the Company had 26 employees.

II GOVERNING BODIES

In accordance with the Company's Articles of Association, governing bodies are the General Meeting of Shareholders, the Board, and a single-person governing body – Head of the Company – Director.

In 2013, members of the Board were as follows:

- Konstantin Morozov – Chairman of the Board;
- Linas Garbaravičius – member of the Board;
- Maksim Papanov – member of the Board;
- Paulius Vazniokas – member of the Board.

III. ACCOUNTING POLICIES

a) Basis for Accounting

The Company manages accounting and prepares financial statements in accordance with International Financial Reporting Standards (IFRS), Law on Accounting, Law on Financial Statements of Entities of the Republic of Lithuania, other legal acts, legal documents, and procedures.

The Company's financial year coincides with a calendar year.

The Company had prepared reports for 31 December, 2012, and former financial periods in accordance with the Business Accounting Standards (BAS) of the Republic of Lithuania. These financial statements of the Company are the first ones prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The Company has prepared the financial statements in accordance with International Financial Reporting Standards (IFRS), applicable for periods beginning on 1 January 2013. The applicable accounting policies are described in Part C. For preparation of the financial statements, the Company has prepared the initial Statement of Financial Condition for the date of transition to IFRS as of 1 January 2012. The effect of the transition from BAS to IFRS on the financial statements is disclosed in Note 19.

b) Currency of Financial Statements

The Company manages accounting, estimates and states all amounts in the financial statements in the national currency of the Republic of Lithuania, Lithuanian Litas.

Since 2 February, 2002, Lithuanian Litas is linked to Euro at the exchange rate of 3.4528 Litas to 1 Euro, and exchange rates of other currencies are set daily by the Bank of Lithuania.

c) New and/or amended interpretations of IFRS and International Financial Reporting Interpretations Committee (IFRIC)

The Group has adopted the following IFRS interpretations the current reporting year:

Amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities

The Amendments introduce new requirements for the disclosure related to financial assets and liabilities:

- which are mutually offset in the Statement of Financial Condition; or
- which are subject to the general offset agreement or similar arrangements.

The Amendments enter into force from 1 January 2013.

The Company does not expect the Amendments to affect the financial statements as it does not offset its financial assets and liabilities and has not entered into any general offset agreements.

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2015, but not before the adoption by the EU)

IFRS 9 will eventually replace IAS 39. The IASB has issued the first two parts of the standard, establishing a new procedure of the classification and measurement of financial assets and requirements for accounting of financial liabilities. The Company has not yet assessed the impact of the amendment adaptation.

IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)

IFRS 11 eliminates consolidation of joint undertakings using the principle of proportional parts. Under IFRS 11, joint undertakings, if they are classified as *joint ventures* (a definition), must be accounted for using the equity method. In addition, jointly controlled assets and operations are joint arrangements under IFRS 11, while accounting of joint-venture agreements does not substantially differ from current accounting principles, i.e., the

Company continues to recognize its own relevant share of assets, liabilities, income and expenses. Adaptation of the amendment will have no impact on the Company's financial statements as the Company owns no shares in any joint ventures.

IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014)

IFRS 12, as a single comprehensive standard, establishes disclosure requirements for a company's investment in subsidiaries, joint arrangements, investments in associates and special purpose vehicles. This standard will require additional disclosures, such as making assessments related to the control setting. Adaptation of the amendment will have no impact on the Company's financial statements as the Company has no such investment or joint activities with other companies.

New IFRS 13 *Fair Value Measurement*

IFRS 13 replaces fair value measurement guidance, presented in certain IFRS, by a single source of fair value measurement guidance.

It provides a definition of fair value, describes a fair value measurement system, and provides detailed guidance and requirements for disclosures about fair value measurements. IFRS 13 explains how to determine a fair value, when required, whether it is permitted by other IFRSs. The standard provides no new requirements for evaluation of assets and liabilities at fair value; it does not eliminate fair value measurement feasibility exceptions established in certain standards.

The standard provides a comprehensive disclosure system, which sets additional disclosure requirements enabling users of financial statements to assess methods and data used to determine a fair value and, upon re-determining the fair value using important unobservable data – an impact of such estimations on profit or loss or other general revenue.

Amendments to IAS 19 *Employee Benefits*

The amendment eliminates the previously applied “corridor method” under which a recognition of actuarial gains and losses could be deferred as well as an option to recognize all changes in the defined benefit obligations and plan assets in the statement of comprehensive income, which is currently allowed by IAS 19 requirements.

The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income.

The Company does not expect these amendments to have any material impact on future financial statements, as the Company will recognise actuarial gains and losses in other comprehensive income, rather than in the income statement.

Amendments to IAS 27 *Separate Financial Statements*

IAS 27 (2011) was replaced by issuing IFRS 10 “Consolidated Financial Statements” and transferring existing accounting and disclosure requirements for separate financial statements therein. In addition, IAS 27 includes requirements of IAS 28 (2008) And IAS 31 for separate financial statements.

Effective for annual periods beginning on or after 1 January 2014.

The said amendment will not have any material impact on financial statements as the Company has no such investment.

Amendments to IAS 28 *Investments in Associates and Joint Ventures*

As a consequence of new standards IFRS 10, IFRS 11 and IFRS 12, the name of the standard was changed, and it now includes the equity method applied not only to associated enterprises but also to joint ventures.

Effective for annual periods beginning on or after 1 January 2014.

The said amendment will not have any material impact on financial statements as the Company has no such investment.

Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*

This amendment clarifies the meaning of “currently has a legally enforceable right of set-off” and explains the application of the offsetting criteria under IAS 32 for payment systems (such as the clearing house system), which uses asynchronous offsetting mechanisms.

Effective for annual periods beginning on or after 1 January 2014.

The Company has not yet assessed the impact of the amendment adaptation.

d) Basic Principles

Company principle. The Company is a separate unit of accounting; book-keeping records and financial statements display only the Company's assets, equity, liabilities, income and expenses and cash flows.

Going concern basis. In the preparation of financial statements, it is assumed that the period of the Company's activities is unlimited and it is not going to be wound up.

Principle of consistency. The Company applies the selected accounting policy consistently or fairly long period of time, unless significant events or circumstances would lead to the need to change it. Classification of items in the financial reporting or information presentation mode are changed only when it becomes clear that the accounting methods applied do not correctly show the Company's performance or financial condition.

Monetary measurement principle. All the Company's assets, equity, and liabilities are expressed in monetary terms in the financial statements.

Accrual principle. The Company records transactions and events in the accounting upon their accrual and presents them in the financial statements for those periods, without regard to receipt or payment of cash. Revenues are recorded when they are earned.

Comparison principle. The Company connects revenues, earned during the reporting period, to expenses incurred in earning the revenues, i.e., costs are recognised in the accounting period when the related revenues are earned.

Precautionary principle. The Company chooses accounting methods by which the value of assets, equity and liabilities, income and expenses cannot be overstated or reduced.

Principle of substance. In displaying its business transactions and events, the Company is focusing mostly on their content and meaning, rather than on solely formal reporting requirements. The Company records transactions and events in accounting and presents them in the financial statements based on their substance and economic sense, even if the presentation is different from the legal form.

d) Financial Assets Accounting Policy

Financial assets include cash and cash equivalents, a contractual right to receive cash or other financial assets from the other entity, as well as securities issued by the other company.

Cash includes monetary resources on the Company's bank accounts.

Cash equivalents may include short-term (up to three months) liquid investments in securities, other financial assets that meet the definition of cash equivalents.

A contractual right to receive cash or other financial assets from the other entity are receivables for services provided, prepayments for financial assets, and other contractual financial debts to the Company.

Evaluation of financial assets depends on the purpose of asset purchase. For evaluation purposes, financial assets are divided into groups:

- For sale;
- Held-to-maturity investments;
- Loans granted and receivables;

Financial assets held for sale include other companies' shares and bonds, government bonds, investment fund units, other accounts receivable, which the Company intends to sell. These assets are recorded at acquisition cost on the title transfer date. Later, on the date of preparation of each reporting period, they are revaluated to fair value, by recording them in the "Correction of value of loans" item in the Company's Income Statement.

Financial assets held to maturity are classified as bonds with a fixed interest rate and fixed maturities, which are intended to hold to maturity. These assets are recorded at amortized cost of a financial asset.

Loans granted are recorded at rated value, by direct accrual of interest.

Accounts receivable are recorded at fair value, i.e., less the estimated doubtful amounts.

e) Authorised capital

The authorised capital of the Company is equal to the total amount of par values of all subscribed shares. The authorised capital accounts for a par value only. Subscribed authorised capital is recorded in the Statement of Financial Condition minus the unpaid shares.

f) Legal and Other Reserves

Reserves are formed following the decision of the general meeting of shareholders (except for revaluation reserve) for the intended purposes. Reserves are generated by allocating the performance results (profits) of the reporting year. The decision to form a reserve is recorded in the minutes of the general meeting of shareholders.

Legal Reserve is made up of deductions from the net profit and must be at least 1/10 of the authorised capital. It is used to cover losses. Upon reduction of the authorised capital, the legal reserve can be reduced while maintaining the above-mentioned ratio. Legal reserve margin, by reducing the authorised capital, is attributed to the distributable result of the reporting period.

Retained reserves are formed in accordance of the Company's Articles of Association for specific objectives by transferring apart of the net profit of the reporting period. Retainable reserves are made up, reduced, and eliminated following the decision of the general meeting of shareholders with a qualified majority of more than ¾ of votes. Upon reduction or elimination of the retainable reserves, the authorised capital is increased by the corresponding amount, a par value of share is increased in proportion to the par value of the Company's shares, owned by shareholders, or new shares are issued.

Other reserves are made of the distributable profits and used to achieve specific goals of the Company.

Retainable and distributable reserves can be formed only after forming a fixed legal reserve.

Other reserves are formed only in accordance of the Company's Articles of Association, upon decision made by the shareholders to eliminate or reduce other reserves; decrease in the reserve is recorded by increasing the retained earnings by the same amount.

g) Profit Distribution

The Company records profit distribution as owners decide to distribute the profit, regardless of when it was earned. Profit distribution is considered only the dividend announcement and formation of reserves. Payment of support, charity, bonuses, premiums is recognised as operating expenses of the reporting period under the Company's accounting policies.

h) Financial Liabilities Accounting Policy

Financial liabilities are recognised when the Company incurs obligations to be met. Upon initial recognition, financial liabilities are stated at cost. At the end of each reporting period, liabilities denominated in foreign currency are evaluated at the official Litas to foreign currency exchange rate announced by the Bank of Lithuania. Gains and losses related to the revaluation of liabilities are recognised as a financial performance result of the reporting period.

i) Foreign Currency

Transactions in foreign currencies are translated into Litas at the official Litas to foreign currency exchange rate announced by the Bank of Lithuania, valid on the date of the transaction.

At the end of the reporting period, all assets and liabilities denominated in foreign currencies are translated into Litas at the official Litas to foreign currency exchange rate announced by the Bank of Lithuania on the end date of the reporting period. Gains and losses from foreign currency transactions are accounted for in the "income and expenses from financial and investment operations" in the Statement of Comprehensive Income.

j) Non-current Tangible Assets

Acquisition of non-current tangible assets, upon initial recognition, is recorded at acquisition cost. Subsequently, it is recorded at acquisition cost less accumulated depreciation. Depreciation is calculated using the straight-line (linear) method under the depreciation rates set out in non-current asset operation start act. Calculation of depreciation begins next month following the start of operation.

The following non-current tangible asset depreciation rates are applied:

Group of non-current tangible assets	Rate, in years
Furniture, except for used in hotel operations	6
Computer and communication equipment (computers, networks and hardware)	3
Cars:	
1) cars – ne no more than 5 years	6
2) other cars	10
Other non-current tangible assets	4 – 6

The assets with the useful life longer than 1 year and the acquisition value of at least 500 Lt are attributed to non-current tangible assets.

k) Non-current Intangible Assets

Acquisition of non-current intangible assets, upon initial recognition, is recorded at acquisition cost. Subsequently, it is recorded at acquisition cost less accumulated amortisation. Amortisation is calculated using the straight-line (linear) method under the set amortisation rates. Calculation of amortisation begins next month following the start of operation.

The following non-current intangible asset amortisation rates are applied:

Group of non-current intangible assets	Rate, in years
Software	3
Other intangible assets	4

The assets with the useful life longer than 1 year and the acquisition value of at least 500 Lt are attributed to non-current intangible assets.

l) Revenue recognition

Revenue is recognised on an accrual basis, i.e., the Company recognizes it upon obtaining the right to receive it. Revenue from the sales of goods and services is recognised on implementation of them. If services are provided or works are performed longer than one reporting period, revenue is recognised as earned and attributed to the period in which the services were provided, works were completed, regardless of when the money is paid.

Dividends, commissions, and interest income are recognised by the Company upon obtaining the right to receive them.

m) Expense Recognition

Expenses are recognised on an accrual and matching principles in the reporting period in which the related revenue is earned, regardless of the period of the money spent.

Only the part of expenditure for the previous and reporting periods is recognised as expenses, which matches the revenue earned during the reporting period. Expenses, not related to the revenue generation during the reporting period, but intended for earning revenue in future periods, are recorded and presented in the financial statements as an asset.

Commissions, management and servicing operating expenses include all costs related to earning income from commissions, management and client servicing activities – costs of commissions paid to stock exchanges, depositories and banks; trade market technical security costs; wages of employees in income generating sections and related costs; as well as consulting relating to the income generation from commission, management and servicing.

General administrative expenses consist of expenditure on personnel in non-income generating sections, cost of office space, office expenses, etc.

Financial transaction expenses include losses due to exchange rate changes and currency conversion, as well as a negative result of securities revaluation at fair value. Financial transaction expenses are recognised in the period as incurred, regardless of the money spent.

n) Rent - Company as the Lessee

Lease payments are charged to the income statement in proportion to the period of the lease.

o) Lease - the Company as the Lessor

Income calculated under the lease agreement is recognised in the period in which it is generated.

p) Income tax

Income is taxable at 15 pct. income tax rate in accordance with Law on Income Tax the Republic of Lithuania. Tax expenses can be carried forward to the next year, except for the expenses incurred as a result of disposal of securities and (or) derivatives. Expenses incurred as a result of disposal of securities and (or) derivatives are transferred to the next reporting year, but are offset by income from the disposal of securities and (or) derivatives only. Expenses as a result of disposal of securities and (or) derivatives may be carried forward for 5 years and offset only by profits from the same kind of transactions.

Deferred income tax is recorded using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised.

q) Provisions

Provisions are recognised if they meet all three criteria for recognition:

- a. The Company has a present legal or constructive obligation as a result of past events;
- b. fulfilment of the legal or constructive obligation will, likely, require the use of the Company's assets;
- c. the amount can be reliably estimated.

At the end of 2011, the Company had no provisions.

r) Accounting of CFDs

General part. Contract for differences (hereinafter – CFD) is an agreement between two parties, i.e., the buyer and the seller, whereby one party pays the difference between the current market price and the initial price of the underlying instrument, valid on the date of the transaction. If the price of a specific CFD increases – the price difference is paid by the seller, if drops – by the buyer. CFD is a derivative financial instrument with the price coming from the stock market price.

The Company's risk elimination. The Company, entered into a CFD transaction with a client, is insured by making the same transaction with a third party or by buying the same amount of the securities which are the basis of the CFD transaction with the client.

Accounting of CFD transactions entered into with a third party. In the case a price of a certain CFD, compared to the initial price, is recorded on the transaction date, the price difference on the transaction closing and settlement date is recorded in the financial liability items as a liability to a client. Upon settlement with the client, the liability is offset. If a price of a certain CFD falls, the closing the price difference on the transaction closing and settlement date is recorded in the asset items as receivables from a client for CFD. Upon settlement with the client, the receivables are offset.

Accounting of CFD contracts as a basis for securities purchase. On CFD transaction date with a client, the Company buys the same amount of securities for its portfolio, as a basis for the CFD transaction made with the client. All securities, purchased for CFDs, are recorded in a separate portfolio of financial assets thereof. Every time when preparing the financial statements, the assets are valued at fair value, by recording an increase in the liabilities, and impairment – in asset items. On the transaction closing and settlement date, the securities are sold. In this case, the result of CFD includes revaluations and the amount of a profit or loss from the sale. If the result is positive (price of securities raised), financial liability to a client is recorded. Upon settlement with the client, the liability is offset. If the result is negative (price of securities dropped) – as receivables from a client. Upon settlement with the client, this receivable is annulled.

s) Option Accounting

General part. Option is a financial instrument that grants one party the right (but not the obligation) to buy or sell a specific asset or financial instrument in the future, whereas this is an obligation for the other party to sell or buy the asset. Purchasing of an option entitles to buy a certain asset or financial instrument at a fixed price, before the set deadline (or during a set period) in the future, i.e., until the option expires. The seller's option grants a person the right to sell the asset. One party pays the other one an option premium for such option. Option, which can be conducted at any time during the contract validity, is called American. Options, with the contract executed on the last day of validity of the option, is known as European.

Option accounting. In accounting, options are displayed as a premium on the day of execution. If this is the result of the Company, it is recognised as income or expense from financial activities. If the premium is the Client's positive result – recognised as financial liability to the client. Upon settlement with the client, the liability is offset. If the premium is the Client's negative result – as receivables from a client. Upon settlement with the Client, this receivable is annulled.

t) Accounting of Financial transactions in the currency market (FOREX)

General part. Exchange Market means financial transactions conducted with foreign currencies. Also known as Forex – Global Interbank Foreign Exchange Market.

Accounting of financial transactions in the currency market. The FOREX results are displayed in the accounting on the execution date. If this is the result of the Company, it is recognised as income or expense from financial activities. If the Client's positive result – recognised as financial liability to the

client. Upon settlement with the client, the liability is offset. If this is the Client's negative result – as receivables from a client. Upon settlement with the Client, this receivable is annulled.

u) Off-Balance Sheet Items

Client money – resources kept in trust on the Company's behalf in current bank accounts and in bank accounts under the term deposit contract. Clients' money is separate from the Company's resources and kept in trust in commercial banks.

Securities purchased on behalf of clients are securities purchased for clients on behalf of the Company in Lithuania and through foreign intermediaries. These securities are stored on behalf of the Company in various depositories and with other account managers. Price of securities, stored by the clients in the Company's securities accounts, is calculated on the financial reporting date, by multiplying the volume of the securities by the securities' market price, and, if such not available – by the rated value. Bonds, purchased on behalf of clients, are accounted in off-balance sheet items at their rated value.

Contracts for difference (CFD) – transactions in force on the reporting date. They are displayed in off-balance sheet items at market value on the securities, which are the basis of the CFD transactions made.

Client transactions on derivative financial instruments with a third party are Option and Forex transactions in force on the reporting date. They are displayed in off-balance sheet items at fair value.

v) Segments

A business segment is a distinguishable component of business, covering individual or related services with business risks and yields different from other business segments.

A geographical segment is a distinguishable component of business covering services within a particular geographical economic environment, with business risks and yields different from other business segments operating in other geographical economic environments.

The Company does not have any differing geographical or business segments, as the Company operates in a single environment and provides services within Lithuania, with the yield and business risk not differing considerably.

IV. FINANCIAL RISK MANAGEMENT

The Company is a financial institution; therefore, a management of its various financial risks is strictly regulated and supervised. For risk management, relevant procedures have been developed: Trading Policy, Commercial Risk Management Policy, Internal Capital Adequacy Assessment Process, and Operational Risk Management Strategy, Solvency and Liquidity Rules, Operational Risk Assessment and Management Policies and Procedures, and other instruments.

The Company applies the following financial risk management procedures:

Capital adequacy calculation – on a daily basis according to the Capital Adequacy Rules approved by the Securities Commission;

In the trade – compliance with and assessment of position limits and additional restrictions;
Internal control, carried out by an assigned employee.

In its operations, the Company is facing with the following main risks:

a) *Position risk* – the risk to estimate potential losses due to fluctuations in securities prices or interest rate stipulated in the Company's trading book: the Company calculates capital requirements against the risk for all positions of the trading book, which are valued every day at market prices. Before concluding a deal, the Company must be convinced that meets the capital adequacy requirements.

The table below discloses a calculation of position risk for Equity and Non-equity Securities:

	Position value, Lt.	Position risk factor set out in Capital Adequacy Rules	Capital requirement, Lt (column 2 * column 3)
1	2	3	5
Non-equity securities (2, 4 notes)	210 306	1,25 %	2 629
Equity securities (2,4 notes)	*4 818 951	12 %	578 274
CAPITAL REQUIREMENTS FOR POSITION RISK	-	-	580 903

*On 31 12 2013, the trading book's equity securities consisted of liquid securities with a value of 4,818,951 Lt and illiquid securities with a value of 21,146 Lt. Equity securities of AB „Ūkio bankas“, with a value equal to 21,146 Lt on 31 12 2013, were recognised as illiquid assets, thus, they are not subject to position or other risks. Calculation of risks provides for the decrease of operating capital by this amount, determining a capital adequacy ratio.

b) *Settlement risk* covers a settlement risk in case of a deferred payment and outstanding operational risk: where it is not paid on time under the Company's transactions, except for repurchase and reverse repurchase transactions, securities lending and borrowing, the Company calculates the difference between the amount of liability for respective securities and the market value of the securities, which represents the potential loss if the Company does not receive the appropriate amount.

On 31 12 2013, the Company had no trading book transactions not paid after for the contractual settlement date.

c) *Counterparty credit risk* – the risk to estimate the losses if a counterparty is unable to meet its future obligations under the contract: if the Company has paid for the securities, but they are still unsold, or delivered the securities before the stipulated settlement date, or entered into international transactions, while the counterparty has not met its obligation after the scheduled settlement, capital requirement for a counterparty risk is calculated.

The table below discloses a calculation of capital requirements for the credit and receivable reduction risk in accordance with the Capital Adequacy Rules:

	Position value, Lt	Position risk factor set out in Capital Adequacy Rules	Risk-based position value, Lt	Capital requirement, Lt (column 4 *0.08)
1	2	3	4	5
Balance sheet items:				
Current account balances	4 656 044	20 %	931 209	74 497
Receivables recognised as liquid under the Capital Adequacy Rules	3 069 627	100 %	3 069 627	245 570
Total balance sheet items	7 725 671	-	4 000 836	320 067
Off-balance sheet items:				
Financial instrument lending or borrowing transactions, repurchase and reverse repurchase transactions, and long-term settlement transactions	2 433 418	100 %	2 433 418	194 674
Derivatives	9 552 006	100 %	9 552 006	764 160
Total off-balance sheet items:	11 985 424	-	11 985 424	958 834
CAPITAL REQUIREMENT FOR CREDIT AND RECEIVABLE REDUCTION RISK	-	-	-	1 279 423

d) *Trading book risk* - the risk associated with the Company's trading or non-trading book exposures in excess of the set limits; the Company controls the available large exposures in regard to groups of individual and related clients and, before acquiring a high position, calculates capital requirements for the trading book risk and capital adequacy.

On 31 12 2013, capital requirements for the trading book risk was calculated for one trading book exposure – current account balance of AB SEB Bank:

Entry title	Exposure excess	Risk factor, %	Additional capital requirement rate, %	Capital requirement
part of exposure (from 25% to 40% of its capital)	451 309	8	200	72 209

e) *Commodity price risk* - the probability that market variables change to the extent that the brokerage firm incurs losses due to the transaction made.

On 31 12 2013, the Company had no commodities.

f) *Foreign currency exchange rate risk* – the risk that the Company, with its open position in foreign currency, arising from the trading book or non-trading book positions, and (or) from its assets and liabilities denominated in foreign currency, will suffer losses as a result of a certain foreign currency exchange rate or exchange rate fluctuations. The Company controls fluctuations in values its existing trading, non-trading book positions, assets or liabilities valued (denominated) in a foreign currency. A capital requirement for the foreign currency exchange rate risk is calculated both when foreign exchange rates fluctuate in favourable direction and when the fluctuations are unfavourable.

The table below discloses in the foreign currency exchange rate risk according to the Capital Adequacy Rules:

Positions of separate currencies	
LTL	(152 235)
EUR	(2 596 628)
USD	3 352 041
LVL	56
NOK	122 712
GBP	145 913
SEK	270 221
RUB	2 174 686
HRK	31 397
HUF	344
CAD	840
KRW	(1 243 202)
HKD	80
PLN	375 546
Collective investment schemes treated as separate currencies	125 256
IN TOTAL	2 674 409
All currencies other than Litas (including collective investment schemes)	2 826 644
Capital requirement (2 826 644 *0.08)	226 132

g) *Interest rate risk* - the risk that the Company will incur losses due to interest rate fluctuations. The Company calculates general and specific interest rate risks for debt securities and derivative transactions in accordance with internal procedures.

h) *Counterparty risk* – the risk that a counterparty will be unable to meet its future obligations under the contract and the Company will therefore incur a loss. Counterparty risk usually occurs when a transaction conclusion date is different from the transaction execution date. Counterparty risk is generally or individually limited in respect of clients, whom the deferred settlement transactions are entered with; general and individual counterparty limits are established and approved by the Company's Board.

	Position value, Lt	Position risk factor set out in Capital Adequacy Rules	Risk-based position value, Lt.	Capital requirement, Lt (column 4 *0.08)
1	2	3	4	5
Off-balance sheet items:				
CFD	2 987 671	100 %	2 987 671	239 014
CAPITAL REQUIREMENT FOR COUNTERPARTY RISK	-	-	-	239 014

i) *capital adequacy*. All the above risks are assessed by calculating the capital adequacy ratio. The capital adequacy comparative table is presented in Note 18.

The following table provides the Company's capital adequacy ratio calculation as on 31 December 2013.

No.	ENTRY TITLE	AMOUNT, LT
I.	COMPANY'S CAPITAL	4 055 529
C.	FIRST LEVEL (INITIAL) CAPITAL	5 584 162
A.	Initial capital	5 773 437
A1.	Paid authorised capital	5 500 040
A2.	Share premium	
A3.	Reserves (except for revaluation reserve)	105 895
A4.	Retained earnings from the final distribution of profits or losses of the previous financial year	167 502
A5.	Intermediate retained earnings of the reporting year or the retained earnings of the previous financial year	
a.	Other capital instruments (OCI)	0
a1.	OCI1, with the issue documents stipulating to convert them to the Company's authorised capital (not more than 50 pct. of the initial capital)	
a2.	OCI2, with the issue documents stipulating an incentive for the Company to repurchase them (no more than 15 pct. of the initial capital)	
a3.	OCI3, all other capital instruments not included in entries 1.3.1 and 1.3.2 (no more than 35 pct. of the initial capital)	
B.	(-) Deductions	-189 275
B1.	(-)Acquisition of own shares	
B2.	(-)Reporting year's losses	
B3.	(-) Intangible assets	40 290
B4.	(-)Prepayments and deferred expenses, except for prepayments for financial assets due	148 985
B5.	(-) Other deductions	
D.	SECOND LEVEL CAPITAL	0
D1.	Non-current tangible and financial asset revaluation reserves	
D2.	A rated value of preference shares with a cumulative dividend	
D3.	Subordinated loans	
D4.	Other capital instruments (OCI4)	
E.	THIRD LEVEL CAPITAL	1 381 120
E1.	Net reporting period's trading book profits	
E2.	Short-term subordinated loans	1 381 120
F.	(-) NON-CURRENT ASSETS	-2 909 753
F1.	(-) Non-current tangible assets, except for a part of land or buildings transferred as a collateral, with the value of which matching the loan amount	242 364
F2.	(-) Inventory	
F3.	(-) Investments in equity securities of companies other than credit or financial institutions, other investments in such companies, if the investments are not readily saleable and do not have market price	82
F4.	(-) Investments in equity securities of other financial and credit institutions, and subordinated loans granted to those institutions, except for positions included in the trading book	21 146
F5.	(-) Loans and other receivables expected to receive after 90 days (including shorter term loans, which are non-repayable at maturity or repayment period prolonged), as well as deferred tax assets and contributions to the Exchange guarantee fund	2 646 161
F6.	(-) Deposits with the withdrawal period longer than 90 days (including shorter term deposits, which may be renewed automatically under the contract), except for payments related to future or option contracts subject to compulsory contribution	
F7.	Losses of subsidiaries	

2.	CAPITAL REQUIREMENT	2 811 944
2.1	CAPITAL REQUIREMENT FOR CREDIT AND RECEIVABLE REDUCTION RISK	1 278 901
2.2	CAPITAL REQUIREMENT FOR POSITION, SETTLEMENT, COUNTERPARTY, TRADING BOOK, FOREIGN EXCHANGE RATE, COMMODITY PRICE, AND OPERATIONAL RISKS	1 533 043
2.2.1	Capital requirement for position risk	580 903
2.2.1.1	Capital requirement for debt financial instrument risk	2 629
2.2.1.2	Capital requirement for equity securities risk	578 274
2.2.2.	Capital requirement for settlement and counterparty credit risk	284 863
2.2.2.1.	Capital requirement for settlement risk	0
2.2.2.2.	Capital requirement for counterparty credit risk	284 863
2.2.3.	Capital requirement for trading book risk	72 209
2.2.4.	Capital requirement for foreign exchange risk	226 132
2.2.5.	Capital requirement for commodity risk	0
2.2.6.	Capital requirement for operational risk	368 936
2.2.6.1.	Operational risk using the basic indicator approach	368 936
2.2.6.2.	Operational risk using a standardized method	
4.	ADDITIONAL INFORMATION	
4.1.	Minimum initial capital	2 520 544
4.2.	A quarter of the Company's overhead expenses for the previous financial year	460 615
4.3.	Capital surplus (+) or deficit (-)	1 534 985
4.4.	Capital surplus (+) or deficit (-)	3 594 914
4.5.	Capital surplus (+) or deficit (-)	1 243 585
4.6.	Capital surplus (+) or deficit (-)	3 252 893
4.7.	Maximum amount of the capital requirements of the following values 1. minimum amount of initial capital; 2. A quarter of the Company's overhead expenses for the previous financial year; 3. Capital requirements	2 811 944
8.8.	Capital adequacy rate	1.44

Legend:

*-Only A category brokerage firms

IV. COMMENTS ON EXPLANATORY NOTES

Comment 1. Cash and cash equivalents.

On 31 December 2012 and 2013, as well as on 1 January, 2011, cash comprised resources in current bank accounts and resources in traffic in various currencies. The Company had no short-term fixed deposits.

Comment 2. Change in trading and non-trading book securities

(in Litas)

Securities	Description of the change					At the end of the reporting year as of 31 12 2013
	At the end of the previous financial year as of 31 12 2012	acquired	sold	increase in value	impairment	
Trading book securities	4 123 449	37 394 464	36 314 443	1 386 621	1 539 688	5 050 403
Non-equity securities	187 973	40 166	48 913	48 129	17 049	210 306
<i>Government securities</i>	47 970	-	48 913	943	-	-
<i>Other non-equity securities</i>	140 003	40 166	-	47 186	17 049	210 306
Equity securities	3 935 476	37 354 298	36 265 530	1 338 492	1 522 639	4 840 097
Other securities	-	-	-	-	-	-
Non-trading book securities	82	-	-	-	-	82
Non-equity securities	-	-	-	-	-	-
<i>Government securities</i>	-	-	-	-	-	-
<i>Other non-equity securities</i>	-	-	-	-	-	-
Equity securities	82	-	-	-	-	82
Investments in subsidiaries and associates	-	-	-	-	-	-
Other securities	-	-	-	-	-	-
In total	4 123 531	37 394 464	36 314 443	1 386 621	1 539 688	5 050 485

(in Litas)

Securities	Description of the change					
	At the beginning of the previous financial year as of 01 01 2012	acquired	sold	increase in value	impairment	At the end of the previous financial year as of 31 12 2012
Trading book securities	3 799 671	83 014 414	82 695 789	1 918 578	1 913 425	4 123 449
Non-equity securities	148 261	36 597	36 309	89 845	50 421	187 973
<i>Government securities</i>	42 840	-	-	22 150	17 020	47 970
<i>Other non-equity securities</i>	105 421	36 597	36 309	67 695	33 401	140 003
Equity securities	3 651 410	82 977 817	82 659 480	1 828 733	1 863 004	3 935 476
Other securities	-	-	-	-	-	-
Non-trading book securities	82	-	-	-	-	82
Non-equity securities	-	-	-	-	-	-
<i>Government securities</i>	-	-	-	-	-	-
<i>Other non-equity securities</i>	-	-	-	-	-	-
Equity securities	82	-	-	-	-	82
Investments in subsidiaries and associates	-	-	-	-	-	-
Other securities	-	-	-	-	-	-
In total	3 799 753	83 014 414	82 695 789	1 918 578	1 913 425	4 123 531

Non-equity and equity securities are attributed to financial assets held for sale. On each reporting date, the assets are revaluated to fair value by recording the change in the *Correction of value of loans* item of the Statement of Comprehensive Income.

In 2013, the Company had no securities under reverse repurchase.

On 31 12 2013, the Company had the following non-equity securities with a market value of 188 ths. Lt:

Name	Interest rate	Market value, Lt	Country	Currency	Re-purchase / conversion date
KazKommerzBank bonds	8.00 %	37 971	Kazakhstan	USD	11 03 2015
Morgan Stanlay bank bonds SX5E Exprs cert	10.00%	172 335	United Kingdom	EUR	01 06 2015

Grouping of the Company's existing equity and non-equity securities (SC):

Group	Carrying value, Lt
SC held-to-maturity	-
SC held for sale	5 050 485
Corporate bonds	210 306
Government bonds	-
Shares	4 782 306
Collective investment fund units	57 873

Group	Carrying value, Lt	
	Equity SC	Debt SC
SC, traded on regulated markets	4 840 097	210 306
SC, not traded on regulated markets	82	-----

Comment 3. Non-current tangible and intangible assets

(in Litas)

Name	Vehicles	Other tangible assets	Total tangible assets	Intangible assets
Balance value at the end of the previous financial year (31 12 2012)	213 576	83 657	297 233	56 397
At acquisition cost				
At the end of the previous financial year	232 467	277 722	510 189	255 300
Changes in the reporting year:				
Acquired assets	-	34 582	34 582	31 161
assets transferred and written-off (-)	-	-	-	-
transfers from one item to the other +/-(-)				
At acquisition cost at the end of the reporting year	232 467	312 304	544 771	286 461
Revaluation				
At the end of the previous financial year	-	-	-	-
Changes in the reporting year:				
increase in value (impairment) +/-(-)				
assets transferred to other persons and written-off (-)				
transfers from one item to the other +/-(-)				
Revaluation at the end of the reporting year	-	-	-	-
Depreciation (amortisation)				
At the end of the previous financial year	18 891	194 065	212 956	198 903
Changes in the reporting year:				
depreciation (amortisation) of the reporting year	37 950	51 502	89 452	47 268
reversals (-)				
assets transferred to other persons and written-off (-)	-	-	-	-
transfers from one item to the other +/-(-)				
Depreciation (amortisation) at the end of the reporting year	56 841	245 567	302 408	246 171
Impairment				
At the end of the previous financial year	-	-	-	-
Changes in the reporting year:				
impairment the reporting year				
reversals (-)				
assets transferred to other persons and written-off (-)				
transfers from one item to the other +/-(-)				
Impairment at the end of the reporting year	-	-	-	-
Balance value at the end of the reporting year (31 12 2013)	175 626	66 737	242 363	40 290

Part of the Company's non-current intangible assets, with an acquisition value of 148 ths. Lt on 31 December 2013, was fully amortized (121 ths. Lt on 31 December 2012), but still in use.

Part of the Company's non-current intangible assets, with an acquisition value of 105 ths. Lt on 31 December 2013, was fully amortized (70 ths. Lt on 31 December 2012), but still in use.

94,900 Lt of depreciation and amortization were attributed to commission, management and servicing expenses. 41,820 Lt of depreciation and amortization expenses were attributed to general administrative expenses (in 2012, respectively, 61,358 ths. Lt and 45,161 ths. Lt).

(in Litass)

Name	Vehicles	Other tangible assets	Total tangible assets	Intangible assets
Balance value at the beginning of the previous financial year (01 01 2012)	4 305	92 374	96 679	87 275
At acquisition cost				
At the beginning of the previous financial year	27 765	285 018	312 783	245 029
Changes in the previous financial year:	227 702	38 254	265 956	10 271
Acquired assets	(23 000)	(45 550)	(68 550)	-
assets transferred and written-off (-)				
transfers from one item to the other +/-(-)				
At acquisition cost at the end of the previous financial year	232 467	277 722	510 189	255 300
Revaluation	-	-	-	-
At the beginning of the previous financial year				
Changes in the previous financial year:				
increase in value (impairment) +/-(-)				
assets transferred to other persons and written-off (-)				
transfers from one item to the other +/-(-)				
Revaluation at the end of the previous financial year	-	-	-	-
Depreciation (amortisation)				
At the beginning of the previous financial year	23 460	192 644	216 104	157 754
Changes in the previous financial year:				
Depreciation (amortisation) of the previous financial year	18 430	46 939	65 369	41 149
reversals (-)				
assets transferred to other persons and written-off (-)	(22 999)	(45 518)	(68 517)	-
transfers from one item to the other +/-(-)				
Depreciation (amortisation) at the end of the previous financial year	18 891	194 065	212 956	198 903
Impairment	-	-	-	-
At the beginning of the previous financial year				
Changes in the previous financial year:				
impairment of the previous financial year				
reversals (-)				
assets transferred to other persons and written-off (-)				
transfers from one item to the other +/-(-)				
Impairment at the end of the previous financial year	-	-	-	-
Balance value at the end of the	213 576	83 657	297 233	56 397

Name	Vehicles	Other tangible assets	Total tangible assets	Intangible assets
previous financial year (31 12 2012)				

Part of the Company's non-current intangible assets, with an acquisition value of 121 tns. Lt on 31 December 2012, was fully amortized (125 tns. Lt on 1 January 2012), but still in use.

Part of the Company's non-current intangible assets, with an acquisition value of 70 tns. Lt on 31 December 2012 was fully amortized (111 tns. Lt on 1 December 2012), but still in use.

Comment 4. Assets and liabilities grouping by periods. 31 December 2013

31 December 2013(in Litas)

Assets	Total by item	Within three months	After three months, but no later than within a year	After a year but no later than within five years	After five years	Termless
1. Cash and cash equivalents	4 656 044	4 656 044	-	-	-	-
2. Loans for clients	2 727 434	2 208 423	-	-	-	519 011
3. Receivables	1 299 134	529 196	-	-	-	769 938
4. Non-equity securities	210 306	-	-	210 306	-	-
5. Equity securities	4 840 179	-	-	-	-	4 840 179
6. Tangible assets	242 363	-	-	-	-	242 363
7. Intangible assets	40 290	-	-	-	-	40 290
8. Deferred income tax assets	27 555	-	-	-	-	27 555
9. Deferred expenses	30 304	24 641	5 663	-	-	-
IN TOTAL:	14 073 609	7 418 304	5 663	210 306	-	6 439 336

On 31 December 2013, receivables were reduced by doubtful receivables, which amounted to 698,111 Lt (on 31 December 2012 – 797,531 Lt; on 1 January 2012 – 641,245 Lt).

In 2013, the average interest rate of loans granted was 6% (in 2012 – 6%).

31 December 2013 (in Litas)

Liabilities	Total by item	Within three months	After three months, but no later than within a year	After a year but no later than within five years	After five years	Termless
1. Payables to financial institutions	4 210 812	4 210 812	-	-	-	-
2. Payables and liabilities to clients	68 575	68 575	-	-	-	-
3. Income tax payable	15 765	15 765	-	-	-	-
4. Liabilities related to employment relations	390 323	390 323	-	-	-	-
5. Accrued expenses	50 776	50 776	-	-	-	-
6. Other amounts payable and liabilities	2 182 801	181 035	-	-	-	2 001 766
Subordinated liabilities	1 381 120	-	1 381 120	-	-	-
IN TOTAL:	8 300 172	4 917 286	1 381 120	-	-	2 001 766

In 2013, the average interest rate of loans received was 3% (in 2012 – 3%).

Comment 5. The authorised capital structure

Indicators	Reporting year		Previous financial year	
	Number of shares issued	Par value (LTL)	Number of shares issued	Par value (LTL)
The authorised capital structure at the end of the reporting year				
1. By type of shares				
1.1. Common shares	78 572	5 500 040	78 572	5 500 040
1.2. Preference shares	-	-	-	-
1.3. Employees' shares	-	-	-	-
1.4. Special shares	-	-	-	-
1.5. Other shares	-	-	-	-
IN TOTAL:	78 572	5 500 040	78 572	5 500 040
Own shares held by the Company	-	-	-	-
Shares held by subsidiaries	-	-	-	-
Shares held by associates	-	-	-	-

Comment 6. Profit (loss) distribution project

Items	Amount, Lt
Retained earnings - profit (loss) - at the end of the previous financial year	-
Profit not recognised in Statement of Comprehensive Income	-
Net profit for the year - profit (loss)	167 502
Distributable earnings - profit (loss) - at the end of the reporting year	167 502
Transfers from reserves	-
Distributable profit (loss)	167 502
Profit distribution:	167 502
- to the legal reserve	-
- to other reserves	-
- other	-
Retained earnings - profit (loss) - at the end of the reporting year	-

Comment 7. Off-balance sheet liabilities

For its activities, the Company rents premises from a natural person. The lease contract expires on 1 February 2017. The Company pays 15 000 Lt rental every month. Under the contract, the Company cannot terminate it before the deadline.

On 31 12 2013, the Company entered with clients into 196 CFD contracts, with carrying value equal to 19,797,188 Lt.

On 31 12 2013, the Company entered with clients into 8 FOREX contracts with, a carrying value equal to 11,768,598 Lt.

Comment 8. Commissions, management, and servicing revenue

Operating income	Reporting year	Previous financial year
1. Commission income	1 662 789	2 314 168
2. Market making and other services at a fixed fee	311 415	240 203
3. Bondholder protection services	72 037	38 326
4. Management and performance fee	103 147	101 961
5. SC accounting and custody	194 521	131 632
6. Assessment and support services	2 330 988	1 481 309
7. Accounting services provided	65 364	51 066
8. Other income	-----	-----
In total	4 740 261	4 358 665

Comment 9. Commissions, management, and servicing expenses

Commissions, management and servicing expenses	Reporting year	Previous financial year
1. Wages, salaries	1 333 269	1 357 031
2. Social insurance expenses	421 262	417 080
3. Fees to intermediaries	556 563	539 440
4. Fees to exchanges, depositories	240 645	181 320
5. Vehicle rental and maintenance	130 148	99 811
6. Connecting to trading platforms and subscription	65 416	66 251
7. Consulting	303 543	5 000
8. Depreciation and amortisation	94 900	61 358
9. Value added tax expenses	30 215	13 288
10. Software support	57 542	42 440
11. Communication expenses	19 895	16 783
12. Other expenses	70 896	52 826
In total	3 324 294	2 852 628

Comment 10. Provisions

By the end of 2011, the Company has not generated provisions.

By the end of 2012, the Company has not generated provisions.

Comment 11. Administrative Expenses

Administrative expenses	Reporting year	Previous financial year
1. Salaries and social insurance	635 285	543 176
2. Rental expenses	246 137	183 122
3. Legal services	148 502	213 311
4. Value-added tax	170 839	186 436
5. Support	3 000	7 000
6. Employee training	114 056	13 635
7. Audit expenses	19 000	19 000
8. Depreciation and amortisation	41 820	45 161
9. Office expenses	40 336	45 267
10. Communication expenses	38 547	41 532
11. Software support	19 413	20 181
12. Utility fees	51 417	38 892
13. Vehicle rental and maintenance	97 589	98 151
14. Representation expenses	115 099	65 921
15. Advertising expenses	141 017	211 450
16. Accounting services	39 600	39 600
17. Business trip expenses	47 479	17 205
18. Fines and penalties	497	13
19. Banking services	11 801	6 984
20. Other	64 166	45 845
In total	2 045 600	1 841 882

Comment 12. Correction of value of loans and prepayments

In 2013, revenue from correction of value of loans and prepayments resulted from reversal of debts, recognised as doubtful and undervalued in previous periods. Doubtful debts of reorganized companies, undervalued in 2012 and amounted to 75,799 Lt, were reversed.

In 2012, expenses of correction of value of loans and prepayments emerged from recognition and devaluation of doubtful debts. Undervalued doubtful debts of reorganized companies amounted to 75,799 Lt; in 2012, undervalued doubtful debts of bankrupt companies amounted to 97,309 Lt. Total undervalued doubtful debts amounted to 173,108 Lt.

Comment 13. Financial relations with the Company's executives and other related parties*

(in Litass)

	Reporting year	Previous financial year	Balance at the end of the reporting year
Accrued employment-related amounts during a year:			
Executives	202 492	165 352	18 531
Other related parties	-	-	-
Average number of executives per year	1	1	1
Accrued parent-related amounts during a year			
Loan granted to JSC "East Europe Investment Group"	121 000	-	-
Services, loans, and goods from JSC "East Europe Investment Group"	3 993	79 888	3 993
Services provided to "Lumiere Holdings BV"	117 219	79 759	-
Transactions with other related parties:			
Services and loans to individuals	-	-	-
Services and loans to group companies	-	-	-
Service interest from related parties	-	-	-
Sale of receivables	-	-	-
Services and loans from group companies	242 212	159 647	3 993

* Executives – managing personnel, responsible for planning, management, and control of the Company's activities. Related parties – close relatives of the executives who directly or indirectly own substantial voting rights (at least 20 percent of votes); close relatives of such persons, companies that control a reporting company; associates, companies the majority of voting rights in which belong to executives or their close relatives.

Comment 14. Other operating income and expenses

The Company rents premises for its activities, some of which it subleases.

Other operating income	Reporting year	Previous financial year
1. Resulting sublease fee from tenants	4 320	79 640
2. Paid to the lessor for tenants' space	-	(68 200)
3. Other income	-	3 607
Result, LTL	4 320	15 047

Comment 15. Income and expenses from financing and investment activities

Item	Reporting year	Previous financial year
Profit (loss) from trading in shares	87 861	104 003
Income from trading in bonds	--	22 696
Profit (loss) from trading in securities	87 861	126 699
Bond revaluation income	31 410	38 578
Share revaluation income (expenses)	(7 275)	(26 024)
Correction of value of securities	24 135	12 554
Profit (loss) from transactions in foreign currency	68 615	46 616
Interest income on loans	123 977	59 313
Interest income from cash held in banks	59 059	28 550
Interest on CFD clients	660 606	699 384
Other interest income	719 665	727 934
Bond interest income	835	5 546
Received loan expenses (-)	(307 637)	(437 397)
Dividend income	53 962	66 414
Profit from derivatives	105 566	1 566
Loss from derivatives	(127 398)	(102 142)
Other profit (loss) from financing activities	(21 832)	(100 576)
In total	749 581	507 103

Comment 16. Income tax

	Reporting year	Previous financial year
Income tax expense components		
Current income tax expenses	15 765	14 401
Deferred income tax expenses (income)	16 800	(9 990)
Income tax expenses (income) recognised in the Statement of Comprehensive Income	32 565	4 411

Calculation of deferred income tax assets:

Components of deferred tax assets	Deferred income tax assets (liabilities)		
	2012		
	Temporary differences	Rate	Amount
Increase in bad and doubtful debt	(79 799)	15%	(11 970)
Social insurance expenses	(8 066)	15%	(1 210)
Change in value of investments	(24 135)	15%	(3 620)
Total deferred tax assets	112 000	15%	(16 800)

Changes of the Company's pre-tax impact temporary differences were as follows:

	Balance on 31 December 2012	Recognised in the Comprehensive Income Statement	Balance on 31 December 2013
Increase in bad and doubtful debt	79 799	(79 799)	-
Social insurance expenses	43 420	(8 066)	35 354
Change in value of investments	172 479	(24 135)	148 344
Temporary differences before impairment	295 698	(112 000)	183 698
Less: impairment	-	-	-
Total temporary differences	295 698	(112 000)	183 698
Deferred income tax assets (liabilities), estimated at net value of 15% rate	44 355	(16 800)	27 555

	Balance on 1 January 2012	Recognised in the Comprehensive Income Statement	Balance on 31 December 2012
Increase in bad and doubtful debt	-	79 799	79 799
Social insurance expenses	44 067	(647)	43 420
Change in value of investments	185 033	(12 554)	172 479
Temporary differences before impairment	229 100	66 598	295 698
Less: impairment	-	-	-
Total temporary differences	229 100	66 598	295 698
Deferred income tax assets (liabilities), estimated at net value of 15% rate	34 365	9 990	44 355

Deferred income tax assets are recognised to the extent it is possible that the assets can be sold.

Calculation of income tax for 2013:

Profit (loss) before tax of the reporting year	200 067
Total increase in profit before tax	421 203
Total decrease in profit before tax	(547 889)
(Profit) loss from transfer of securities	15 886
(Profit) loss from transfer of derivatives	21 832
Deductible double amount of support granted	(6 000)
Losses deducted from operating profit of the previous year	-
Taxable profit (loss) of the reporting year	105 099
Income tax of the reporting year	15 765

Comment 17. Tax audit

Tax authorities have not carried out a detailed company tax audit. At any time within five consecutive years after the reporting year, the tax authorities may examine the accounting books and records and additional taxes and

calculate additional tax and penalties. No circumstances are known to the Company's management which may give rise to a potential material liability in this respect.

Comment 18. Capital Adequacy

		At the end of the reporting year (31 12 2013)	At the end of the previous financial year (31 12 2012)	At the beginning of the previous financial year (01 01 2012)
1.	Minimum amount of initial capital	2 520 544	2 520 544	2 520 544
2.	Capital requirements (2.1+2.2):	2 811 944	2 215 553	1 854 724
2.1	Capital requirement for credit and receivable reduction risk	1 278 901	965 995	823 132
2.2	Capital requirement for position, settlement, counterparty, trading book, foreign exchange rate, commodity price, and operational risks	1 533 043	1 249 558	1 031 592
3.	Required level of expenditure	460 615	369 962	347 499
4.	Highest number of 1st, 2nd and 3rd entries	2 811 944	2 520 544	2 520 544
5.	Liquid equity	4 055 529	4 860 646	6 060 629
6.	Liquid equity capital surplus (deficit)	1 534 985	2 340 102	3 540 085
7.	Capital adequacy ratio (CAR)	1.44	1.93	2.40

In accordance with the capital adequacy requirements adopted by the Lithuanian Securities Commission, the capital adequacy ratio should not be less than 1.1.

The Company's management controls the capital adequacy ratio to meet the statutory requirements.

Law on Companies of the Republic of Lithuania requires the Company's equity to consist of at least 50 pct. of its share capital, which comprises of the authorised capital and share premiums. On 31 December of 2013 and 2012 and on 1 January 2012, the Company met all the above requirements.

Comment 19. Impact of transition to IFRS

As described in the part a) of the Accounting Policies, the Financial Statements of 2013 are the first ones prepared in accordance with International Financial Reporting Standards (IFRS). The transition to IFRS did not have a material impact on the Company's financial condition, statements of comprehensive income and cash flow. The transition to IFRS has changed only presentation and grouping of several items, therefore, detailed information about the impact on the financial statements is not disclosed.

Comment 20. Subsequent Events

No subsequent events, affecting the Company's activities, have happened.

Director _____ Alius Jakubėlis

Accountant by attorney _____ Dainius Minelga

ORION SECURITIES

Annual Report for 2013

Orion Securities - is the largest non-banking financial group in Lithuania providing intermediation services in selling securities as well as corporate finance, private banking, and financial management services to both private individuals and legal entities. We have been operating in the Lithuanian market since 1993 (as financial brokerage JSC FBC "Baltijos Vertybiniai Popieriai" [Baltic Securities]). Orion Securities is a member of Vilnius, Riga, Tallinn and Warsaw stock exchanges. Orion Securities is a licensed brokerage firm, who is supervised by the Central Bank of the Republic of Lithuania.

Major Events in 2013

In January, 2013, the asset management company Orion Asset Management founded an algorithmic investment fund - the first of its kind in the Baltic countries.

In February, 2013, Orion Securities received the award for the successful and the largest foreign company initial public offering (IPO) on the Warsaw Stock Exchange for 2012.

In May, 2013, secondary public offering of AB Grigiskės was implemented.

In November, 2013, the asset management company Orion Asset Management took over the investment portfolio management from the insurance company "Industrijos garantas".

In November, 2013, Orion Capital Sp. z o.o. Sp. K., a subsidiary of Orion Securities, started providing financial services in Poland.

At the end of 2013, clients of Orion Securities gained access to trading on the Warsaw Stock Exchange online.

The Head's Word

In 2013, global financial markets were full of optimism. Economies of developed countries was expected to switch to a sustainable growth phase, while the growth potential of most emerging markets dropped sharply, and a debt securities market no longer offered any attractive yield and was negatively affected by the monetary incentive being completed by U.S. Central Bank. This has resulted in a switch of equity to shares of developed countries. U.S. economy growth surpassed expectations, and the Federal Reserve Bank began a gradual tightening of the ongoing monetary policy. European GDP also started to grow, yet, lending came to standstill,

unemployment remained high, while inflation significantly decreased. Therefore, the ECB continued incentive monetary policy and lowered a base interest rate to a historical level. Nevertheless, the performance of enterprises, consumer and business expectations grew in developed markets; market volatility declined; number of mergers and acquisitions increased. This was one of the best years of the last decade for financial markets.

Global trends have had a positive impact on our Company's activities. The number of clients has increased by 8.3 %. Derivative financial instruments continued to reach the largest share of turnover; clients were given an access to trading on the Polish stock market online. The Corporate Finance Division issued additional shares of AB Grigiskės and launched activities in Poland.

Given the intensifying economic activity in the local market and fully recovered global equity markets, in 2014, Orion Securities is expecting a revival of its activities. In 2014, we plan to continue expanding in Poland, introduce new products, and improve service quality.

Sincerely,

Alius Jakubėlis

About the Company

The company was established on 12 August, 1993, in Vilnius and named "Baltijos vertybiniai popieriai". On 3 November, 1997, the Company was re-incorporated in the Ministry of Economy of the Republic of Lithuania. Legal entity code 122033915

On 12 January, 2007, the joint stock financial brokerage company "Baltijos vertybiniai popieriai" incorporated a new company name in Vilnius branch of the Register of Legal Entities – JSC FBC „Orion Securities” (hereinafter - the Company) and a new registered legal address - A.Tumeno str. 4, Vilnius.

"Orion Securities" is a joint stock company, holding financial brokerage house A category license No. A106, issued by the Securities Commission of the Republic of Lithuania, entitling the Company to engage in the following activities:

1. Accept and transfer orders on financial instruments (hereinafter - FI);
2. Execute orders on purchasing or selling FI at the expense of clients;
3. Execute orders on purchasing or selling FI at its own expense;
4. Manage clients' FI portfolios;
5. Offer FI in agreement with the issuer, without the obligation to distribute its stock issue;

6. Offer FI in agreement with the issuer, with the obligation to distribute its stock issue;
7. Distribute units of investment funds;
8. Secure, manage and account for the FP;
9. Grant loan, intended to allow the client to carry out a transaction with FP, if the grantor is associated with the transaction;
10. Advise on investing in FP;
11. Carry out an analysis and evaluation of companies.

The Company is also entitled to engage in the following activities:

1. Safe custody services;
2. Advice to undertakings on capital structure, industrial strategy and related matters, as well as advice and services relating to mergers, restructuring and acquisition;
3. Other services relating to the stock issue distribution under an agreement with the issuer.

Background:

In December 2013, the Company had 24 employees.

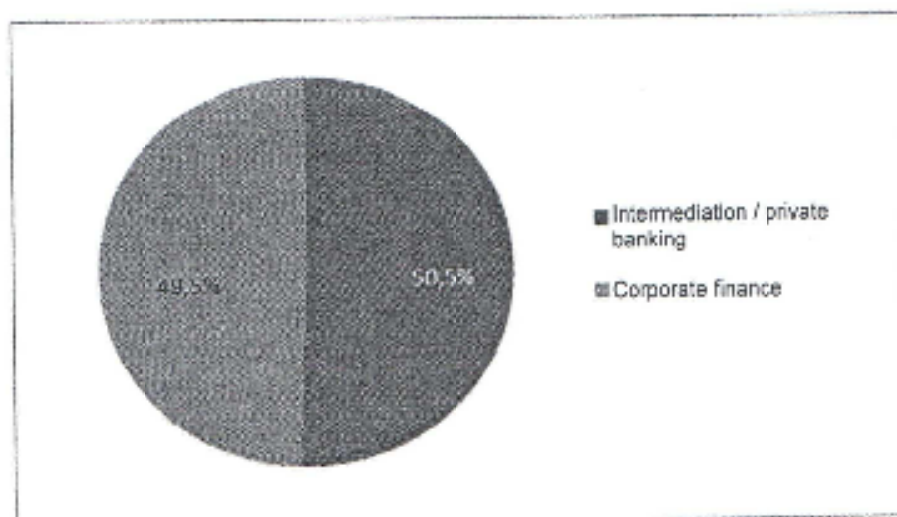
Director of the Company - Alius Jakubėlis

The Board consists of 4 people. Chairman of the Board - Konstantin Morozov, members - Paulius Vazniokas Linas Garbaravičius, and Maxim Papanov.

The Company has no own shares.

In 2013, the Company's revenues from operating activities were 5.64 mln. LT. Client managed funds and securities amounted to 705.9 mln. LT.

Fig 1. Revenue distribution by departments



Services Provided

The Company focuses on three key services:

- Intermediation in capital markets;
- asset management and private banking;
- corporate finance.

The other two service groups account for a small share of the Income and support activities:

- market making;
- FI custody and accounting.

Intermediation in Capital Markets

Capital markets - instant order management and trading services.

We offer clients the following services:

- intermediation in purchasing and selling FI (for clients and at the expense of clients);
- intermediation in purchasing and selling FI (for the company and at its own expense);
- entering into REPO and RE-REPO transactions;
- trading platforms *OriOnline* and *Orion Trader*.

In 2013, turnover of the capital market part (shares, bonds, and derivatives) amounted to 3 mlrd. LT.

Market share of "Orion Securities" in the share trading of Nasdaq, OMX Vilnius, Riga and Tallinn stock exchanges remained stable at 3.73 % of the market (in 2012: 3.41 %).

"In 2013, we achieved goals that were set a year ago. Clients received a unique opportunity to trade on the Warsaw Stock Exchange online. Capital Market Division of "Orion Securities" was first in Lithuania to offer such service to its clients. Warsaw Stock Exchange is much more liquid and mature than the Baltic Stock Exchange. In the future, it is likely that more and more Baltic companies will try to attack capital in Warsaw, which aims to become the financial centre of Central and Eastern Europe. This year, one of the main objectives – expansion of the division in Poland.

Let's not forget about the local exchange. Though the majority of the division's turnover is achieved in foreign capital markets and in trading of derivatives, the total turnover of the Baltic stock exchange grew by nearly 7 pct.; the Company's market share in terms of turnover has increased as well. In 2014, we intend to follow global practices and introduce new investment products in the Baltic stock market," says the head of the Capital Market Division, Mindaugas Strėlis.

Fig. 2. Department turnover by products

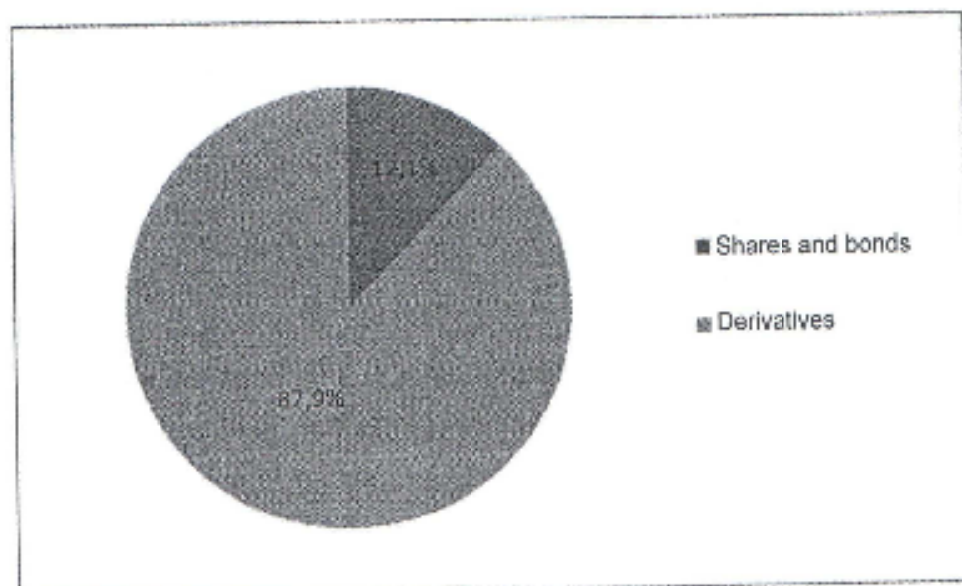
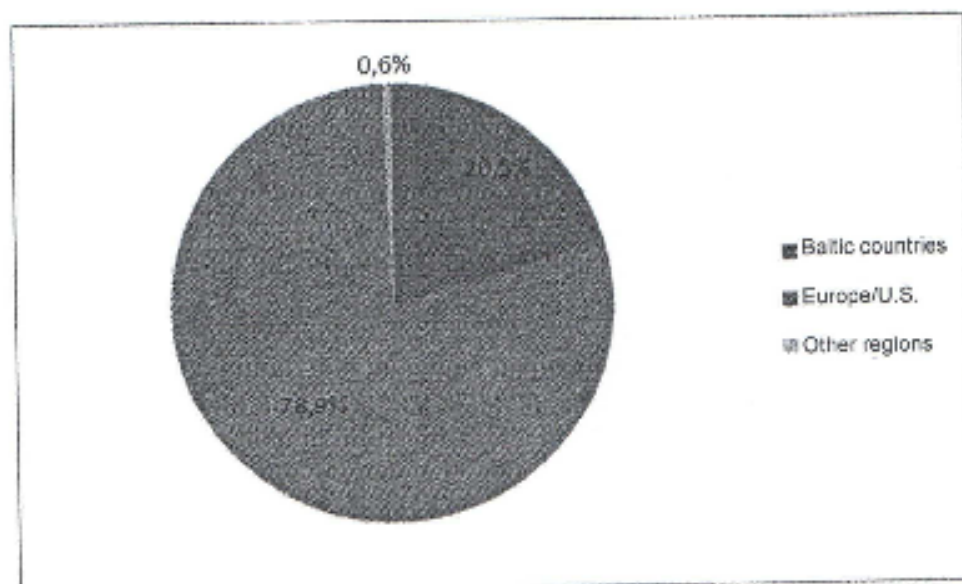


Fig. 3. Department turnover by regions



Asset Management and Private Banking

"Orion Securities" focuses on active supervision and management of investment portfolios, by investing in viable and profitable financial instruments with a level of risk acceptable to clients. Private Banking Division aims to offer creative solutions to complex problems, to manage current assets and find new ways to augment the assets in the future.

We offer clients the following services:

- Consulting services
- Investment portfolio management

At the end of 2013, the Division managed 16 portfolios with a total value of 14.7 mln. Lt; while at the end of 2012 – 19 portfolios, with a total value of 13.0 mln. Lt. At the end of 2013, consulting services were used by 12 clients.

In 2013, three new salespersons joined the Division. It actively started offering structured products (bonds linked to share indexes). Clients actively purchased optional investment products: agricultural land fund and algorithmic investment fund. The service quality was improved and attractiveness of products for various investment profile clients was enhanced," says Karolis Pikūnas, Head of Private Banking Division.

Corporate Finances

The team of Corporate Finance Division advises companies, which enter into purchase and sale, restructuring, business valuation, alternative borrowing transactions, as well provides consulting on corporate financial management. The Division employs 3 people and is headed by Mykantas Urba.

Corporate Finance Division offers the following services:

- consulting on mergers and acquisitions;
- consulting on sale of business;
- valuation of businesses or their divisions;
- share and bond offerings;
- concentration of shareholdings;
- initial public offerings;
- other financial and consulting services.

Projects implemented in 2013:

- a secondary public offering of AB "Grigiškės", Orion Securities acted as an arranger. The offering attracted 10 mln. LTL.
- JSC "Grontmij Lietuva" management re-purchase transaction. Orion Securities acted as the advisor to the buyer.
- Sale of "Agrowill Group" Land Development Fund (ŽVF). Orion Securities acted as an advisor to the seller.
- Sale of Glenglassaugh Distillery Co. Ltd. Orion Securities acted as an advisor to the seller.

2013 has been successful for the Corporate Finance Division – we have both made a number of private company purchase and sale transactions and implemented a secondary public offering of shares in Nasdaq OMX Baltic stock exchange.

Profits for 2013 and a market activation observed at the beginning of the year give a hope of successful operation of the Corporate Finance Division in 2014. The Company's Corporate Finance Division plans to continue focusing on IT, agriculture, manufacturing and energy sectors related projects and pay close attention to the development of international Lithuanian - Polish merger and acquisition projects, in collaboration with our colleagues in the Warsaw office," says M. Urba.

Other Services

MARKET BUILDING

In 2013, the Company joined the Baltic Market Making Programme. The service was provided to the following issuers: AB "City Service," AB "Vilkyškių pieninė," AB "Grigiškės," AB „TEO LT," AB "Inter RAO Lietuva," and OMX Baltic Benchmark fund.

Forecasts for 2014

In 2014, it is not going to be easy to achieve the sustainable growth in all business segments of capital markets. It greatly depends on the kind of fiscal and monetary policies to be carried out in key global economies. The regulatory influence is now much clearer than the last few years. The coming into force Volcker's Decree will restrict the use of U.S. investment banks' equity for investments and may cause losses in the banking sector up to 4.3 mlrd. U.S. Dollars.

This year, the U.S. Central Bank is going to complete the incentive unconventional monetary policy (purchase of securities in the secondary market), while the raise of interest rates might start in the first half of 2015. Businesses will have to adapt to the new environment of higher interest rates, which, in 2014, might affect the bond market. Over the past five years, U.S. corporate profits have reached record levels; it is thus not surprising that share prices have jumped to record

high, too. A stable macroeconomic environment and strong financial markets will support IPO activity (new share issues), which considerably revived in 2013.

Euro-zone is slowly creeping out of years-long debt crisis, however, most of macroeconomic indicators still show no signs of recovery. Due to the extremely low inflation, the ECB does not dismiss the opportunity of taking additional incentives. Nevertheless, rates of business expectations promise improvement in conditions. In pursuing efficiency and consolidation, European companies should continue to support the activity of merger and acquisition market.

Changes in U.S. Central Bank's policy have accelerated the withdrawal of capital from a number of emerging markets, which often deter investors with the lack of effective internal political and economic reforms. Moreover, the enlarged tension between Russia and the Western world, after the events in the Crimea, may result in a temporary confusion in the financial markets; companies, exporting goods and services to Russia, will likely suffer the most. However, more investors may get interested in China, which has announced planned reforms that would concern many sectors of economy.

The derivatives market will remain the most prominent business segment in 2014. Market players continue swaps standardization, go toward electronic marketing via such transactions and their centralized clearing.

Risk Management

INTERNAL CONTROL

Efficiency of internal control is one of the main conditions to ensure not only effective internal processes and safety of a company, but also is essential for the provision of quality services to clients. Focus on internal control is emphasized in order to successfully implement the European Union's MiFID and local legislation. Since national legal acts are as well under constant improvement, the Company's staff cooperates with legal service firms and supervising authorities on a daily basis.

Three following types of internal control are applied for the efficient control process: preliminary, instant, and corrective. The Company's internal controller periodically submits to the chairman of the Board and the head of the company inspection reports, which reflect the observed shortcomings and recommend divisional control improvement methods.

The Company has a strong focus on risk assessment and effective management of it in respect of each product and service group. Particular attention is paid to the dual control system in order to ensure early elimination of hazard to activities and humans.

Activities of the financial brokerage company involve a high amount of information. Advanced prevention of conflicts of interest and information security are the Company's priorities. Organizational structure and internal procedures ensure compliance with the above priorities.

In order to improve its performance and efficiency, the Company regularly reviews its policies, procedures and contracts.

RISK MANAGEMENT

Risk management is an essential part of a successful company's system. Risk management processes are continuously improved in the company; new solutions are introduced, in advance in with the financial market and the increasingly sophisticated financial instruments. In 2013, we updated the risk management system, which brought together all divisions of the Company and involved them in the risk assessment process; Information and response systems, that allow for effective enterprise risk management, have been implemented. In 2014, we set new goals and intend to improve risk management processes to keep pace with financial market innovations.

Financial System Risk factors affecting the Company's operation:

- Economic risk

In 2013, the global economy showed obvious signs of recovery, which were largely influenced by major state financial incentive programmes. Thus, there remains a significant risk that global economic growth is not sustainable, as well as the question whether the global economy will be able to function and grow after termination of the financial incentive programmes.

- Systemic risk

Over the past few years, the Lithuanian financial market has experienced much shock, which were significantly affected by a systemic risk. In the future, there remains a risk that, upon similar systemic risk factors, domestic financial system institutions may experience similar shocks

- Operational risk

The Company constantly reviews internal processes and implements system upgrades. Regular staff training is arranged. This allows minimizing the risks that may occur due to human and systemic errors.

- Reputation risk

The importance of reputation for a financial institution is especially high. The company regularly carries out training for its employees. All employees are motivated not only for quantitative, but also for qualitative results. This allows managing and maintaining a high level of service quality.

Aš Vilniaus miesto vertimų biuro vertėjas, Martynas Bartkevičius, prisiimu atsakomybę už atlikto vertimo teisingumą.

I, Martynas Bartkevičius, a translator of Vilnius City translation agency, assume all responsibility for authenticity of the translation.



Susegta ir antspaudu patvirtinta 93 psl.
Fastened and sealed 93 pages.
Сшито и заверено печатью 93 стр.
Spięto i potwierdzono pieczęcią 93 str.
Geheftet und gestempelt 93 Seiten.

www.vertimuguru.lt
Vertimų biuras/Translation agency