SEB

CONFIRMATION OF RESPONSIBLE PERSONS

Abiding by Article 21 of the Law of the Republic of Lithuania on Securities as well as by the rules of the Securities Commission of the Republic of Lithuania for the preparation and submitting of periodic and supplementary information, we hereby confirm that, in accordance with our knowledge, the information provided in the annual consolidated financial reporting, that has been prepared in accordance with the International Financial Reporting Standards, is true and correctly reflects the issuer's and the consolidated companies' total assets, liabilities, financial standing, profit or loss. We also confirm that the business expansion and performance review as well as the issuer's and the consolidated companies' condition together with the description of the main risk factors and uncertainties are correctly indicated in the annual consolidated report.

President of SEB Bank	.... Audrius Žiugžda
Director of Finance Division of SEB Bank	.... Aušra Matusevičienė
Director of Finance and Reporting Department of SEB Bank	.... Agnė Vaitkevičiūtė

Vilnius,
April 2008

AB SEB BANK

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

CONTENTS

PRICEWATERHOUSECOOPERS

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Independent auditor's report

To the Shareholders of the SEB Bank

Report on the financial statements

We have audited the accompanying consolidated financial statements of SEB Bank and its subsidiaries (the 'Group') and the financial statements of SEB Bank (the 'Bank') set out in pages 44 – 111 which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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 for use in European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as of 31 December 2007 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use in European Union.

PRICEWATERHOUSECOOPERS

Report on other legal and regulatory requirements

Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2007 set out on pages 4 – 43 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2007.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
17 March 2008

CONSOLIDATED ANNUAL REPORT FOR 2007
SEB BANK

1. *Reporting period covered by the Consolidated Annual Report*

The Consolidated Annual Report has been issued for the year 2007.

2. *Issuer Group companies, contact details and major types of activities*

Issuer's name	**SEB Bank**
Authorised capital:	LTL 1 034 575 341
Legal address:	Gedimino ave.12, LT-01103 Vilnius
Telephone:	(8 5) 2682 800
Facsimile:	(8 5) 2682 333
E-mail address:	info@seb.lt
Legal-organisational form:	public limited company
Registration date and venue:	19 November 1990, the Bank of Lithuania
Company code:	112021238
Company registration number	AB90-4
Website:	www.seb.lt

As of 21 January 2008, SEB Vilniaus Bankas changed its name into SEB Bank; the names of SEB Vilniaus bankas Group's companies were also changed.

The new name of SEB Bank is used in the consolidated annual report (SEB Bank can be also referred to as "the Bank") so are the new names of SEB Bank's subsidiary companies: SEB Enskilda, SEB gyvybės draudimas, SEB Investicijų valdymas, SEB Lizingas and SEB Venture Capital. The Bank and its subsidiary companies might be also referred to as "the Group".

SEB Bank, a Public Limited Company, is a credit institution issued a licence to engage in such types of activities as acceptance of deposits and other refundable means from non-professional market participants and borrowing hereof, and also to offer other financial services and accept related risks and responsibility.

At the end of the reporting period, the Bank had five subsidiary companies: SEB Enskilda, SEB VB Gyvybės Draudimas (since 21 January 2008 - SEB Gyvybės Draudimas), SEB VB Investicijų Valdymas (since 21 January 2008 - SEB Investicijų Valdymas), SEB VB Lizingas (since 21 January 2008 - SEB Lizingas), SEB Venture Capital (until 30 October 2007 – SEB VB Rizikos kapitalo valdymas).

Name:	**SEB Lizingas**
Main activity type:	Financial lease
Legal – organisational form:	Private Limited Company
Registration date and venue:	9 April 1995, Vilnius
Company code:	123051535
Legal address and domicile address:	Saltoniškių str. 12, LT-08105 Vilnius
Telephone:	(8 5) 2390 490
Facsimile:	(8 5) 2390 401
E-mail address:	lizingas@seb.lt
Website:	www.elizingas.lt

Name:	**SEB Venture Capital**
Main activity type:	own asset investment into other companies' equity and asset management on trust basis
Legal – organisational form:	Private Limited Company
Registration date and venue	17 October 1997, Vilnius
Company code:	124186219
Legal address:	Gedimino ave. 12, LT-01103 Vilnius
Domicile address:	Jogailos str. 10, Vilnius
Telephone:	(8 5) 2682 407
Facsimile:	(8 5) 2682 402
E-mail address:	kapitalas@seb.lt
Website:	http://www.seb.se/venturecapital

Name:	SEB Gyvybės Draudimas
Main activity type:	all main types of life insurance and health, travel, accident and critical illness insurance
Legal – organisational form::	Private Limited Company
Registration date and venue:	11 June 1999, Vilnius
Company code:	110076645;
Legal address:	Gedimino ave. 12, LT-01103 Vilnius
Domicile address:	Jogailos str. 10, LT-01116 Vilnius
Telephone:	(8 5) 2681 528
Facsimile:	(8 5) 2681 556
E-mail address:	draudimas@seb.lt
Website:	www.seb.lt/*draudimas*

Name:	SEB Enskilda
Main activity type:	consultancy services related to business acquisitions, sales and mergers; management buyout (MBO) /leveraged buyout (LBO); increase in own and borrowed equity (including not limited to the initial public offerings (IPOs) and secondary placements; corporate restructuring (mergers, splits, etc.); business or share valuation
Legal – organisational form:	Private Limited Company
Registration date and venue:	27 March 1993, Vilnius
Company code:	221949450
Legal address:	Gedimino ave. 12, LT-01103 Vilnius
Domicile address:	Jogailos str. 10, LT-01116 Vilnius
Telephone:	(8 5) 2681 400
Facsimile:	(8 5) 2681 499
E-mail address:	mail@enskilda.lt
Website::	www.enskilda.lt

Name:	SEB Investicijų Valdymas
Main activity type:	various investment management services, consultancy services
Legal – organisational form:	Private Limited Company
Registration date and venue:	3 May 2000, Vilnius
Company code:	125277981
Legal address::	Gedimino ave. 12, LT-01103 Vilnius
Domicile address::	Jogailos str. 10, LT-01116 Vilnius
Telephone:	(8 5) 2681 594
Facsimile:	(8 5) 2681 575
E-mail address::	info.invest@seb.lt
Website:	www.seb.lt

3. *Agreements between the Issuer and securities' public offering agents*

The Bank in the process of a public issue of bonds has to make an agreement with the selected public offering agent for the protection of the owners' of any relevant issue of bonds interests in accordance with the procedure established by the Company Law of the Republic of Lithuania.
Thus, as of 31 December 2007, the Bank had seventeen effective agreements with SEB Enskilda (legal entity code 2219 49450, legal address Gedimino ave. 12, Vilnius) and thirty seven agreements with Orion Securities, a brokerage firm (legal entity code 1220 33915, legal address A. Tumėno str. 4, 9 floor, 01109 Vilnius).

4. *Data on trade in the Issuer Group securities in the regulated markets*

Shares of SEB Bank are not listed in either the main or secondary list of Vilnius Stock Exchange or in trading lists of other regulated markets and listing hereof is not planned in the nearest future
As of 31 December 2007, one non-equity securities issue of SEB Bank was listed in the debt securities list of Vilnius Stock Exchange (*see* table below).

ISIN code	LT0000403057
Number of securities (units)	1,000,000
Nominal value per unit (LTL)	100.00
Total nominal value (LTL)	100,000,000.00
Effective date of the issue	19 February 2005
Redemption date	20 February 2008
Interest rate	3.10 %

Securities of the Bank subsidiary companies are not traded in the regulated markets.

5. *Objective review of the Issuer Group financial standing, performance and business development, major risks and uncertainties*

We refer to the year 2007 as the year before a break-through in Lithuania's economy. The country's economic growth remained rapid, however, economic problems started showing up: inflation peaked, national foreign debt was on an increase, interest rates went up, and banks started applying more rigorous lending terms. Also, we witnessed the beginning of a cool-down in the real estate market and early symptoms of disturbances in the stock market.

For SEB Bank (before 21 January 2008 – SEB Vilniaus Bankas) Group in Lithuania, it was the most successful year throughout the Group's history. SEB Bank Group's excellent last year performance ratios sustain the fact that despite the signals of an economic deceleration in the country, the market has remained dynamic, and the need of the population as well as the businesses to be provided with universal banking services has been continuously growing.

It is gratifying for us to see the SEB Bank Group's operational efficiency: we have significantly improved the Group's cost/income ratio, though at the same time we were involved in the expansion and upgrading of our bank network, investing in staff qualification improvement and in service quality, offering new banking products to the market. We have been especially a success in achieving all our objectives set at the start of the year: our customers assessed us to be the best service provider, external experts recognised us to be the most attractive local employer; we were awarded for our corporate citizen activities, and our activities were effective.

SEB Bank Group's net profit assessed on the basis of the International Financial Reporting Standards was LTL 509.7 million, which is a LTL 221.5 million, or a 76.9 per cent, increase as compared to 2006. The Group's profit before profit tax was LTL 600.8 million, which is an LTL 254.7 million, or a 73.6 per cent, increase year on year. SEB Bank Group's year 2007 profit includes a profit of LTL 86.6 million from sales of the Group's real estate and shares in its subsidiary company SEB VB Nekilnojamasis Turtas (SEB VB Real Estate) in 2007. Financial group SEB completed the transaction of sales of the real estate owned by the SEB Group banks in Lithuania, Estonia and Latvia: in Lithuania, SEB Bank sold 25 real estate objects entering into leaseback arrangements.

Over said period, net interest income increased by LTL 186.5 million, or by 43.8 per cent, reaching LTL 612.4 million. An increase in net services and commissions income was LTL 57.8 million, i.e. 42.5 per cent; total net services and commissions income was LTL 193.9 million.

As of 31 December 2007, the SEB Bank Group's total assets reached nearly LTL 28 billion, which is an LTL 6.8 billion, or a 32 per cent, increase year on year. As at the end of December 2007, SEB Bank had the country's largest market share in terms of customer loan portfolio. i. e. 31 percent, over the year 2007, net worth of customer loan portfolio increased by LTL 4.6 billion, or 34 per cent, and was LTL 17.8 billion. Customer deposits and issued debt securities were worth LTL 11.7 billion: an increase over the year 2007 was LTL 1.2 billion, or 12.1 per cent, accounting for 28 percent of the market in terms of customer deposits and issued debt securities. SEB Bank Group's equity increased by 33.3 per cent and was LTL 2 billion.

SEB Bank, being a universal bank, in 2007 strengthened its market position in the retail customer services market, at the same time remaining the best partner for the country's corporate customers. In 2007, the number of SEB Bank Group's private individual customers increased by 4.6 per cent, reaching 994 thousand. In 2007, SEB Bank held the leader position in terms of executed mortgage loan agreements, including bank loans against pledge of property, which were worth LTL 2.8 billion or 28.9 percent of the price of new transactions executed in the market, keeping the leader position in terms of mortgage loan portfolio, including bank loans against pledge of property, i. e. 30.85 percent or LTL 6.05 billion. Over a year, consumer loan portfolio went up by 38.53 per cent and reached LTL 594.3 million. The number of corporate customers was 58 thousand, of which major corporate customers made as many as 1.6 thousand, and their relevant loan portfolio increased by 43.5 per cent, reaching LTL 5.2 billion.

In 2007, SEB Bank increased the number of its services. Over a year, the number of payment cards issued by the bank increased by 9.3 per cent and was over 1.24 million. In 2007, an increase in the number of settlement transactions by cards issued by the bank was 44 per cent, relevant settlement turnover being LTL 10.3 billion, which represents a 43 per cent market share. After the bank increased the functionality of its e-banking services system, the number of its e-banking customers increased by 14 percent: up to 718 thousand. The Number of payments submitted via e-channels over the reporting period increased by 22.5 percent. Over said period, the number of mobile (SMS) banking service users increased by 18.6 per cent: from 255 to 302 thousand.

SEB Bank Group's interest income from debt securities was LTL 98 million, which is a 27.3 per cent increase, as compared to that in 2006. In terms of the total number of securities held in its custody, the bank was the leading securities custodian in Lithuania. Over the year 2007, the market value of securities held by the SEB Bank Group as a securities custodian increased to LTL 14.3 billion, and as of 31 December 2007 the bank's relevant market share was 28.3 per cent.

In 2007, the SEB Bank Group significantly improved its operational efficiency and cost control. The Group's cost/income ratio, as compared to 2006, decreased from 42.6 to 36.6 per cent. At the same time, the Group made substantial investments for the development of its retail banking and customer service network. Throughout 2007, the Group had a special focus on the continuation and development of Customer Relationship Management (CRM) project, which was successfully started in 2006. The project is aimed at the introduction of new sales culture with a significant focus on the client needs and sales promotion to meet the customer expectations. As of 31 December 2007, SEB Bank had 72 customer service units. Over the year 2007, the bank opened 5 new customer service units, renovated 11, and moved 6 into new premises.

During 2007, the number of employees increased from 1,901 to 2,171 the increase being primarily due to the network expansion. Staff costs increased up to LTL 170.9 million, or by 19.9 per cent. However, other administrative costs, deposit insurance costs excluded, increased by a mere 11.5 per cent, up to LTL 158.8 million.

In 2007, the SEB Bank Group met the prudential requirements of the Bank of Lithuania to a full extent. Over said period, the bank effected no buy-out of its own shares nor performed any transfer of its shares to any other owners.

In December 2006, SEB Bank's major shareholder Skandinaviska Enskilda Banken started a squeeze-out process with a view to buy out the remaining portion of the bank's shares at a price approved by the Securities Commission of the Republic of Lithuania, which was LTL 266.95 per share. The process is still going on.

As of 31 December 2007, SEB Bank shareholding in its subsidiary companies was a follows: 10,000 ordinary registered shares of SEB Lizingas (SEB Leasing), its authorised capital being LTL 10 million; 250,000 shares of SEB Venture Capital, its authorised capital being LTL 25 million; 255,000 shares of SEB Enskilda, its authorised capital being LTL 2.6 million; 603,355 shares in SEB Gyvybės Draudimas (SEB Life Insurance), its authorised capital being LTL 6 million; and 157,500 shares of SEB Investicijų Valdymas (SEB Asset Management), its authorised capital being LTL 1.6 million.

SEB Lizingas' net leasing receivables increased by as much as 45.1 per cent, i.e. by LTL 1.2 billion, and were LTL 3.9 billion. In 2007, this subsidiary company executed new financial agreements worth LTL 2.8 billion in total, which is a 50 per cent upswing as compared to 2006. Last year, the leasing company was characterised by rapid growth in all spheres of its activities, however, the fastest growth was in trucks and heavy vehicles leasing where SEB Lizingas was the market leader. Rapid growth, professional team and customer focus enabled SEB Lizingas to retain a leading market position with a 36.7 per cent market share in a highly competitive environment.

In 2007, SEB Gyvybės Draudimas sold 14.7 thousand new insurance policies, which is 50 per cent more than in 2006. Signed insurance premium income was LTL 200 million in total, which is a 64 per cent increase as compared to 2006, resulting in a rise of the market share from 27 to 29 per cent. In 2007, SEB Gyvybės Draudimas' market share in terms annual premiums under new unit-linked life insurance policies was 32.9 per cent.

During 2007, the number of SEB Investicijų Valdymas' Pillar II pension fund customers increased by nearly 20 thousand to reach approx. 232 thousand. SEB Investicijų Valdymas maintained the leading position in Pillar III pension funds market with its more than 12 thousand customers at the year end, which was about 57 % of the entire market. As of 31 December 2007, SEB Investicijų Valdymas' assets under management, which increased by 33 per cent over a year, were worth LTL 1,272 million. In 2007, SEB Investicijų Valdymas registered two new investment funds for public distribution: SEB Eastern Europe Small Cap Fund and SEB Choice Asia Small Caps ex. Japan Fund. Furthermore, several new non public funds were added to the product portfolio for clients willing to assume higher risk. Also, SEB Investicijų Valdymas expanded its distribution channels as it started offering its products via a new agent - financial brokerage house Orion Securities. In 2007, the performance of pension funds within equity and mixed investment categories was the best in the market, and SEB Pensija 3 Fund outperformed all other Pillar II pension funds in Lithuania.

The performance of SEB Bank was once again positively assessed by international banking magazines and rating agencies. In 2007, international rating agency Fitch Ratings confirmed the ratings assigned to SEB Bank, among them, the long-term liabilities rating A. The performance of SEB Bank was also acknowledged by international banking publications, such as Global Finance, The Banker, etc.

The Group manages its financial risks as described in its financial reporting. Also, the reporting highlights the financial risk management objectives, describes risk hedging instruments as well as the Group's credit risk and market risk levels.
During the year 2007, the bank continued its pro-active social activities, particularly in such spheres as education and training for children and entrepreneurship encouragement. For four consecutive years, SEB Bank took part in the Dreams Come True Campaign, providing support to the kids in child care homes. Last year, the bank went on with its more than decade-long cooperation relations with the Lithuanian Children Foundation, supporting other educational projects, offering a possibility for its employees to devote a certain part of their office hours for mentorship activities. In 2007, the bank allocated support to various culture and sports events. In its continued efforts of supporting entrepreneurship among young talented and creative people, the bank not only supported the Business Plan Tournament – it also launched new social initiative "SEB verslo menas" (SEB Business Art) aimed at increasing entrepreneurship skills. In 2007, together with its partners, SEB Bank was founder of the Service Quality Association.
It is likely that 2008 will be a challenging year for the country's economy. Interest rates remaining high, there should be a slow-down in lending and an increase in the demand for investment services. In the face of the future events, the main task for the SEB Bank Group in Lithuania remains its customer focus. By offering up-to-date services and by providing them in a convenient and professional way, by getting to know the needs and expectations of each customer in detail, we will go towards our vision: to be the leading financial services group in Lithuania
Risk management in the SEB Group is centralized to ensure implementation of the risk management policies at each level of the organisation. The major risks to which SEB Bank is exposed include such risks as credit, liquidity, market risk that covers currency risk, interest rate risk and share price risk, as well as the operational risk. Risk hedging is carried out in accordance with the internal and prudential requirements of the Bank of Lithuania. In the year 2007, SEB Bank has complied with all the prudential requirements established by the Bank of Lithuania.

Issuer risk – the Bank's obligations to investors are not additionally secured by any guarantee and/or in any other manner, therefore investor accepts the Bank's (operational) risk related to political, economic, technical – technological and social factors.

Credit risk. The Group accepts credit risk, i.e., risk that other counterparty will be unable to repay the total amount on time. The risk shall be assessed based on credit equivalents calculated depending on the type of financial deal. The Group Credit Policy is applied following the principle that any lending transaction may be executed only subject to loan analysis. Taking into consideration the complexity of the deal and customer's creditworthiness, various credit risk management measures are applied.

The Group loans are assessed individually as well as its total portfolio. Assessment of the portfolio of homogeneous loans with similar risk characteristics (mortgage loans, consumer loans, payment card account overdraft limits, loans to small enterprises) is performed. Special provisions for homogenous loans are formed by applying the statistical methods based on historical data about the defaults of the borrowers and suffered losses within the corresponding homogeneous loan group. The individually assessed borrowers are assigned to a relevant risk class reflecting the probability of default in particular risk class. The Group classifies the individually appraised borrowers into 16 risk classes.
Risks are managed by carrying out continuous analysis of the borrower's ability to fulfil its obligations, i.e., repay the loan and pay the accrued interest. The Group, when establishing risk–related limits acceptable for a single borrower, group of borrowers or economy segments, establishes credit risk levels. The borrower's credit risk, taking into consideration the risk class assigned to the borrower, is revised on a regular basis, at least once a year. Analysis of the borrower, borrower group and industry sector risks is performed on a regular basis.
The below limits are applied to the loan portfolio:

- Maximum exposure to one borrower must not exceed 25 per cent of the Bank/ Group equity and the total of large exposures may not exceed 800 per cent of the Bank/ Group equity.
- Total loans issues by the Bank to its parent company, other subsidiary companies of the parent company or the Bank's subsidiary companies (hereinafter jointly referred to as the SEB Group companies) per borrower might not exceed 75 per cent of the Bank equity, if the Bank of Lithuania performs consolidated supervision of the entire financial group. If the Bank of Lithuania does not perform consolidated supervision of the entire financial group, the maximum exposure per each SEB Group company may not exceed 20 per cent of the Bank equity.

Impairment losses on loan portfolio (LTL 000's) according to the IFRS

	2007 12 31	**2006 12 31**	**2005 12 31**
Impairment losses on loans to customers as of year end	161 818	130 522	102 344
Impairment losses on loans to credit and financial institutions as of year end	-	-	-
Impairment losses on the balance of customer loans	**161 818**	**130 522**	**102 344**

Capital adequacy. The Lithuanian banks are required to maintain capital adequacy ratio of at least 8 per cent of risk-weighted assets to capital base. According to the Group's Capital Policy, its capital adequacy ratio must range within 8.5 - 9.0 per cent, i.e., slightly higher than the required lowest indicator being able to efficiently support implementation of the business goals. ROE must be in compliance with the capital adequacy requirements of the regulatory agencies and rating agencies. Dynamics of the Bank and Group capital adequacy ratios is shown in the table below.

The Group			Ratio	The Bank		
2007	2006	2005		2007	2006	2005
8,83%	9,36%	8,37%	Capital adequacy ratio (at least 8%)	9.85%	10.16%	8.16%

Currency risk. Foreign exchange risk exposure is defined by two measures: single open currency position against the Litas and aggregate open currency position - the larger one of summed long and short open currency positions. The foreign exchange risk measure contains the net exposure of spot and forward positions, FX futures, including gold, the delta equivalent position of FX options and other balance sheet items. The currency risk control is ensured by monitoring the risk exposure against the limits established for single open currency position. The Bank observes open currency position limits established by the Bank of Lithuania:

- Maximum open single currency position may not exceed 15 per cent of equity
- Maximum aggregate open currency position may not exceed 25 per cent of equity.

Dynamics of the maximum open position during the recent years is shown in the table below.

Open position	The Group		
	2007	2006	2005
Maximum open single currency position	-2.1%	-3.1%	6.9%
Maximum aggregate open currency position	2.2%	3.2%	7.2%

Interest rate risk. Interest rate risk is managed by forecasting the market interest rates and managing the mismatches between assets and liabilities by re-pricing maturities. The Bank applies the interest rate risk management methods allowing to measure the Group's sensitivity to interest rate changes by computing the impact to yearly net interest income (ΔNII) and the net effect to the market value of shareholders equity (delta 1%) in case of parallel shift by one percentage point in the yield curve.
SEB Bank observes all the interest rate indicators.

Liquidity risk. Liquidity risk is the risk that the Group may be unable to timely fulfil its payment obligations or to finance or realize its assets over a certain period at an acceptable price. The Group adheres to a conservative liquidity risk management policy that ensures adequate fulfilment of current financial obligations, the level of obligatory reserves with the Bank of Lithuania, liquidity ratio higher than that established by the Bank of Lithuania (at the end of 2007, the Bank's liquidity ratio made up 42.78 per cent and was higher by 12.78 per cent than the ratio established by the Bank of Lithuania) and payment capacity under unforeseen unfavourable circumstances. The liquidity risk management system is based on the analysis of actual and forecasted cash flows.

Dynamics of the recent year liquidity ratio of the Bank is shown in the table below.

Ratio	The Bank		
	2007	2006	2005
Liquidity ratio (at least 30%)	42.78%	37.73%	36.20%

Operational risk. Operational risk is defined as the risk of loss due to external events (natural calamities, thefts by third persons, etc.) or internal factors (e.g. breakdown of IT systems, errors, fraud, non-compliance with the internal rules, etc.). To minimize business process risk the Bank has developed policies, manuals and contingency plans. The Bank has additionally implemented certain methodology of the SEB Group and IT solutions designed to identify, analyse, report and manage the risk. Key risk indicators (KRI) serve as early warning signals about changes in risk levels in business areas or processes. Operational risk self assessments are performed in the major business units and business processes on a regular basis. Operational risk management system was launched in the year 2006. It enables all staff of the Group to register the operational risk incidents, and the management at all levels is able to assess, monitor and manage risks and compile various reports.

6. *Analysis of the Issuer Group financial and non-financial activity results*

The year 2007 was the most successful year in the history of the SEB Bank Group in Lithuania. Outstanding results of the SEB Bank Group of the year 2007 show that irrespective of the local economy slowdown, the market dynamics is retained and demand for universal banking services from individual and corporate customers is continuously growing.
Volume and dynamics of the Bank Group activity is partially reflected by the below data of balance sheet and profit (loss) statements prepared in accordance with the International Financial Reporting Standards (IFRS):

LTL mio	As of 31 December 2007	As of 31 December 2006	As of 31 December 2005
Loans	17,784	13,244	8,884
Investment	2,711	2,335	2,005
Lease receivables	3,928	2,707	1,929
Deposits	10,808	9,638	8,398
Amounts owed to credit and financial institutions	12,546	7,948	4,593
Equity	2011	1,508	1,256
Assets	27,989	21,160	15,111

The Bank Group income structure during the recent years was as follows:

LTL mio	As of 31 December 2007	As of 31 December 2006	As of 31 December 2005
Net interest income after impairment losses	571.8	408.9	270.3
Other income before operating expenses, net	395.2	256.2	201.5
Net income	967	665.1	471.8
Operating expenses	(373.1)	(321.5)	(291.6)
Net life insurance income	6.9	2.5	0.8
Profit before income tax	600.8	346.1	181
Net income	509.7	288.2	149.1

Major indicators of the Bank activity are included in the below table:

The Group			Ratio	The Bank		
2007	**2006**	**2005**		**2007**	**2006**	**2005**
8.83%	9.36%	8.37%	Capital adequacy ratio (at least 8%)	9.85%	10.16%	8.16%
2.11%	1.59%	1.20%	Return on average assets	2.30%	1.78%	0.96%
29.53%	21.05%	12.70%	Return on average equity	29.64%	22.90%	9.40%
43.86%	38.12%	36.29%	Bank liquidity ratio (at least 30%)	42.78%	37.73%	36.20%
33.01	18.66	9.65	Earnings per share, LTL	32.13	18.49	6.91
130.23	97.68	81.42	Book value per share, LTL	125.37	93.76	76.72

7. *References and additional comments on data included in the consolidated financial statements*

All major financial data are included in the consolidated financial statements of the Bank.

8. *Main data since the end of previous financial year*

Please refer to the note no. 48 of the financial statements of the Bank.

9. *The Issuer activity plans and forecasts*

In order for SEB Bank to remain the leading financial partner of private and corporate customers in Lithuania and taking into consideration the goals of the SEB group members, plans are set to implement the following main tasks:

- Operating efficiency improvement. Strong competition between participants of the banking industry results in drooping margins therefore special attention must be paid to operating efficiency improvement.

Operating efficiency improvement will cover the below aspects of the Bank's activity:

- o further automatization of databases to ensure quality data and more operative reporting,
- o improvement of the Bank's internal procedures enabling to operatively respond to changes in the market,
- o effective training for existing and new staff to meet growing customer demand and expectations.

Implementation of the operating efficiency improvement tasks may help the Bank to effectively use available resources for customer services and improve customer loyalty to the Bank.

- Sales culture improvement. Banking services and products become more and more similar in a competitive banking environment. Therefore to retain the competitive edge the sales culture improvement becomes very important.

Sales culture improvement will cover such aspects as:

- o more flexible working hours of the Bank customer service outlets,
- o development of the Bank branch / sub-branch network to get closer to the customer,
- o development and improvement of the banking products and services sales via the e-channels,
- o staff motivation depending on the achieved work results.

If the above main tasks are implemented, the Bank expects to retain existing and attract new customers.

- Development of the banking products and services. Rapid changes in the banking industry and more sophisticated customer needs require the Bank to take measures to retain its products' competitive advantages.

The Bank plans to focus on the following areas:

- o dropping margins require the Bank to pay greater attention to products generating other income than interest income (money transfers, payment cards, life insurance and investment management services),
- o much attention will still be given to real estate / mortgage loans; however, special attention will be paid to said loans risk assessment,
- o the Bank plans to pay greater attention to solutions related to services offered to small and medium enterprises.

The Bank expects that proper solutions in each said area will improve customer satisfaction as well as their loyalty.

10. *Financial risk management goals*

Financial risk management process by the Group is described in the consolidated annual financial statements. Financial risk management goals, transaction risk minimization measures, the Group credit risk and market risk volume are also described in the above-mentioned document.

11. *Data on redemption of own shares by the Issuer*

During the year 2007, SEB Bank did not acquire or redeem its own shares. The Bank and its subsidiary companies did not redeem or sell their own shares during the reporting period.

12. *Information on the Issuer branches and representative offices*

As of 31 December 2007, the Bank had 72 customer service outlets (17 branches and 55 sub-branches) in Lithuania.

13. *The Issuer's authorised capital*

Authorised capital registered with the Enterprise Register (amount, structure by share type and class, total nominal value):

Type of shares	ISIN code	Number of shares	Nominal value (LTL)	Total nominal value	Share of authorised capital (in per cent)
Ordinary registered shares	LT0000101347	15,441, 423	67	1.034,575, 341	100.00
Total:	**-**	**15, 441, 423**	**-**	**1,034,575,341**	**100.00**

All shares of SEB Bank are paid up and no restrictions in connection with securities assignment are applied.

14. *Shareholders*

As of 31 December 2007, the total number of shareholders of SEB Bank was 208. Shareholders holding or controlling more than 5 per cent of the Bank's authorised capital as of 31 December 2007:

Shareholder	Number of shares and votes	Share of authorised capital and votes (in per cent)
Skandinaviska Enskilda Banken AB (Kungstradgardsgatan 8, Stokholm, Sweded; code: 502032-9081)	15,395,418	99.7

None shareholder of the Bank has special rights of control. All shareholders have equal rights, the number of shares of SEB Bank entitling to the vote at the general meeting of shareholders is 15,441,423.

The Bank has not been informed of any mutual arrangements between the shareholders resulting in restrictions applied to securities assignment and/or voting rights.

15. *Employees*

	Number of employees			Average monthly wage (in LTL)		
	2007.12.31	**2006.12.31**	**2005.12.31**	**2007**	**2006**	**2005**
Senior management	272	236	222	10, 693	10, 640	10, 100
Specialists	1,628	1, 431	1,328	3, 462	3,732	3,052
Service staff	12	18	16	2,118	3,003	2,770
Total	**1, 912**	**1,685**	**1,566**	**-**	**-**	**-**

Annual staff turnover makes 10 per cent (calculation is based on the number of full time employees employed under contracts of unlimited duration).

Number of employees by position groups and educational background as of 31 December 2007:

	Number of employees	University education		College education		Secondary education	
		number	per cent	number	per cent	number	per cent
Senior management	272	249	91.5	14	5.1	9	3.3
Specialists	1 628	1 112	68.3	160	9.8	356	21.9
Service staff	12	8	66.7	1	8.3	3	25.0
Total	**1 912**	**1,369**	**71.6**	**175**	**9.1**	**368**	**19.3**

As of 31 December 2007, the Group had 2,171 employees.

16. *Procedure for amending the Issuer Articles of Association*

The Company Law of the Republic of Lithuania establishes that amendment of articles of association is an exceptional right of the annual meeting of shareholders. A 2/3 qualified majority of votes of the general meeting of shareholders participating at the meeting is required for adopting a resolution on amending the articles of association.

17. *Management bodies of the Issuer*

- The general meeting of shareholders of the Bank (hereinafter referred to as the 'Meeting')
- The Supervisory Council of the Bank (hereinafter referred to as the 'Council')
- The Board of the Bank (hereinafter referred to as the 'Board')
- Head of the Bank administration (President) (hereinafter referred to as the ' President ')

The Board and the President are the Bank's management bodies.
The Council is a collegiate supervisory body carrying out the function of supervision over the Bank's activities. The Council consisting of 5 members is elected by the Meeting. The Council elects the Board members and revokes them from their positions, supervises over the activities of the Board and the President and has other rights and duties attributed to its competence by acts of law of the Republic of Lithuania and Articles of Association of the Bank.
The Board is a collegiate management body of the Bank consisting of 5 members and is elected by the Council. The Board manages the Bank, handles daily matters, represents the Bank's interests and is responsible for the financial services according to the procedure established by law. The Board elects (appoints) and revokes the President and deputies and has other rights and duties attributed to its competence by acts of law of the Republic of Lithuania and Articles of Association of the Bank.
The President acts in the name of the Bank, organises the Bank's day-to-day activities and has other rights and duties attributed to its competence by acts of law of the Republic of Lithuania and Articles of Association of the Bank.

18. **Information on members of collegiate bodies, Chief Executive Office and Chief Financial Officer of the Bank**

THE BANK SUPERVISORY COUNCIL (as of 31 December 2007)

BO MAGNUSSON – Chairman of the Council since 13 March 2007, Head of SEB Retail Banking. He has got further education, specialisation – economist. He does not hold any shares of the Bank. He does not participate in the capital or management of other Lithuanian companies.

ANDERS AROZIN – Head of SEB Baltic Development and Integration. He has got higher education, specialisation – economist. He does not hold any shares of the Bank. He does not participate in the capital or management of other Lithuanian companies.

AINARS OZOLS – Chairman of the Board and President of SEB Latvijas Unibanka, Chairman of the Board of SEB Unipensija. He has got higher education, specialisation – engineer-economist. He does not hold any shares of the Bank. He does not participate in the capital or management of other Lithuanian companies.
On 15 November 2007 he was elected at the extraordinary general meeting of shareholders of SEB Vilniaus Bankas.

ULF PETERSON – Head of Personnel of SEB Retail Banking. He does not hold any shares of the Bank. He has got higher education, specialisation – master in Law. He does not participate in the capital or management of other Lithuanian companies.
On 15 November 2007 he was elected at the extraordinary general meeting of shareholders of SEB Vilniaus Bankas.

There are plans for the fifth member of the Supervisory Council to be elected at the nearest general meeting of shareholders. The term of office of all Council members expires in the year 2010.

MATS KJAER – until 9 March 2007, Chairman of the Council, Head of SEB New Markets. He does not hold any shares of the Bank. He does not participate in the capital or management of other Lithuanian companies.

On 9 March 2007, he was revoked from the Council members and Bo Magnusson appointed in his stead.

MART ALTVEE – Chairman of the Board of SEB Eesti Ühispank. He does not hold any shares of the Bank. He does not participate in the capital or management of other Lithuanian companies.
On 3 August 2007, he resigned from the position of the Council member

BENJAMIN WILSON – Deputy Chairman of the Board of *SEB* Latvijas Unibanka. He does not hold any shares of the Bank. He does not participate in the capital or management of other Lithuanian companies.
On 15 November 2007, he was revoked at the extraordinary general meeting of shareholders of SEB Vilniaus Bankas.

VIESTURS NEIMANIS – Chairman of the Board of *SEB Latvijas Unibanka*. He does not hold any shares of the Bank. He does not participate in the capital or management of other Lithuanian companies.
On 15 November 2007, he was revoked at the extraordinary general meeting of shareholders of SEB Vilniaus Bankas.

THE BANK BOARD (as of 31 December 2007)

AUDRIUS ŽIUGŽDA – Chairman of the Board and President of the Bank since 1 January 2006. He has got higher education, specialisation – business management and administration. He does not hold any shares of the Bank. A member of the Supervisory Councils of SEB Eesti Uhispank ir SEB Latvijas Unibanka.

RAIMONDAS KVEDARAS – Executive Vice President and Head of the Corporate Banking Division. He has got higher education, specialisation – international finance. He does not hold any shares of the Bank. He does not participate in the capital or management of other Lithuanian companies. He was elected to the Council members on 4 February 2004.

ARTURAS FEIFERAS – Vice President and Chief Credit Officer. He has got higher education, specialisation – business management and administration. He does not hold any shares of the Bank. He does not participate in the capital or management of other Lithuanian companies. He was elected to the Council members on 4 February 2004.

VYTAUTAS SINIUS – Vice President and Head of the Retail Banking Division. He has got higher education, specialisation – economist. He does not hold any shares of the Bank. He was elected to the Council members on 1 January 2006.

AUŠRA MATUSEVIČIENĖ – Vice President and Chief Financial Officer since 1 February 2006. She has got higher education, specialisation – financier. She does not hold any shares of the Bank. She does not participate in the capital or management of other Lithuanian companies.

On 4 February 2008, the term of office of all Board members was extended for 4 more years.

THE COMPANY'S CHIEF EXECUTIVE OFFICER

AUDRIUS ŽIUGŽDA – Chairman of the Board and President of the Bank. Educational background: university degree in economics. Since the year 1992 employed with SEB Vilniaus Bank Group companies, since 1 January 2006 – Chairman of the Board and President of SEB Vilniaus Bankas.

CHIEF FINANCIAL OFFICER

AUŠRA MATUSEVIČIENĖ – Vice President and Chief Financial Officer since 1 February 2006. She does not hold any shares of the Bank. She does not participate in the capital or management of other Lithuanian companies.

Information on disbursements to members of the Board, Chief Executive Officer and Chief Financier:

	Disbursements over a twelve-month period of 2007 ended 31 December (LTL 000s)	**Average amount per person over a twelve month period of 2007 ended 31 December (LTL 000s)**
Amounts calculated over a year in connection with employment relations (including social security)	5,294	1,058.8
Property and gifts provided *gratis*	-	-
Different guarantees issued in the name of the company	-	-
Other significant amounts calculated over a year (bonus shares)	-	-
Other significant amounts calculated over a year (bonus shares) received from companies where the bank's holdings exceed more than 20 per cent of the authorised capital	-	-
Significant liabilities against the company	7,634	1,526.8

Over the year 2007, no disbursements were made or loans issued to the Supervisory Council.

19. *Significant arrangements the Issuer being a party hereof that in case of any change in the Issuer's controlling stake would come into effect, change or terminate*

Such significant arrangements are foreseen in the borrowing agreements of the Group; however, the parties and the terms of these agreements are confidential in regard to both the Bank and the other parties.

20. *Agreements between the Issuer and its management bodies or employees*

None.

21. *Information on compliance with the Corporate Governance Code*

See Annex 1: Information on compliance with the Corporate Governance Code

22. *Data placed in the pubic domain*

Over the year 2007, the Bank announced about the following material events:

On 22 January 2007, the Bank announced that according to preliminary data, unaudited net profit earned over the year 2006 by SEB Vilniaus Bankas is LTL 285.5 million and by SEB Vilniaus Bankas Group is LTL 288.2 million. The profit has been calculated in accordance with legal acts of the Bank of Lithuania and the Republic of Lithuania. Audited net profit over the year 2005 earned by the Bank was LTL 106.8 million and by the Bank Group - LTL 149.0 million.

On 6 February 2007, the Bank announced that on the 9th of March 2007 (with the record day of the 2nd of March) the Annual General Meeting of the Shareholders of SEB Vilniaus Bankas will be convened and its agenda will include the issues regarding the Annual Report of SEB Vilniaus Bankas, auditor's opinion, comments and proposals of the Supervisory Council, approval of the Financial Statements, appropriation of the profit, election of audit firm and approval of payment terms for audit services and revocation of one member of the Supervisory Council and election of a new member.

The Annual General Meeting of the Shareholders of SEB Vilniaus Bankas held on 9 March 2007 adopted resolutions on all issues included into the agenda. Mats Kjaer, a member of the Supervisory Council of SEB Vilniaus Bankas was revoked and Bo Magnusson elected in his stead at the Meeting.

On 12 April 2007, the Bank announced that according to preliminary data, unaudited net profit earned over the first quarter of 2007 by SEB Vilniaus Bankas is LTL 116.1 million and by SEB Vilniaus Bankas Group is LTL 89.9 million. The profit has been calculated in accordance with legal acts of the Bank of Lithuania and the Republic of Lithuania. Unaudited net profit over the first quarter of 2006 earned by the Bank was LTL 44.8 million and by the Group – LTL 54.5 million.

On 10 July 2007, the Bank announced that according to preliminary data, unaudited net profit earned over the first half-year of 2007 by SEB Vilniaus Bankas is LTL 220.3 million and by SEB Vilniaus Bankas Group is LTL 199.1 million. The profit has been calculated in accordance with legal acts of the Bank of Lithuania and the Republic of Lithuania. Audited net profit over the first half-year of 2006 earned by the Bank was LTL 131.9 million and by the Group – LTL 120.3 million.

On 8 October 2007, the Bank announced that according to preliminary data, unaudited net profit earned over the three quarters of 2007 by SEB Vilniaus Bankas is LTL 323.1 million and by SEB Vilniaus Bankas Group is LTL 313.4 million. The profit has been calculated in accordance with requirements of legal acts of the Bank of Lithuania and other legal acts of the Republic of Lithuania. Unaudited net profit over the three quarters of 2006 earned by the Bank was LTL 207.0 million and by the Group - LTL 207.6 million.

On 15 October 2007, the Bank announced that on the 15th of November 2007 (with the record day of the 9th of November), the Extraordinary General Meeting of the Shareholders of SEB Vilniaus Bankas will be convened and its agenda will include the following issues: changing of the legal name of the Bank, changing of the Articles of Association of SEB Vilniaus Bankas and changing members of the Supervisory Council of SEB Vilniaus Bankas.

On 15 November 2007, the Bank announced that the Extraordinary General Meeting of the Shareholders of SEB Vilniaus Bankas took place and agreed to the legal name of the Bank changed into SEB Bank, approved the new version of the Articles of Association of SEB Bank and revoked Viesturs Neimanis and Ben Wilson from the positions of members of the Supervisory Council and elected Ulf Peterson and Ainars Ozols as new members of the Supervisory Council.

On 29 November 2007, the interim financial information for the nine months period of 2007 was announced.

On 21 December 2007, the Bank announced that SEB Vilniaus Bankas has transferred the real estate owned by SEB Vilniaus Bankas and its subsidiaries SEB VB Nekilnojamasis Turtas and SEB VB Lizingas. SEB Vilniaus Bankas has transferred 100 percent stock portfolio of SEB VB Nekilnojamasis Turtas.

On 18 January 2008, the Bank announced that according to preliminary data, unaudited net profit earned over the year 2007 by SEB Vilniaus Bankas is LTL 496,1 million and by SEB Vilniaus Bankas Group is LTL 509,7 million. The profit has been calculated in accordance with requirements of legal acts of the Bank of Lithuania and other legal acts of the Republic of Lithuania. Audited net profit over the year 2006 earned by the Bank was LTL 285,5 million and by the Group - LTL 288,2 million. The Group profit of the year 2007 is calculated including LTL 86,6 million profit received for the sale of the real estate owned by the Group in year 2007 and for the shares of the SEB VB Nekilnojamasis Turtas.

On 21 January 2008, SEB Vilniaus Bankas changed the legal name into SEB Bank and registered the new version of the Articles of Association of SEB Bank approved as of 15 November 2007 by the Extraordinary General Meeting of the Shareholders in the Enterprise Register of the Republic of Lithuania and issued a new registration certificate.

On 26 February 2008, the Bank announced that on 28 March 2008, 10 a.m. in Gedimino 12, Vilnius, room 511, the Annual General Meeting of the Shareholders of SEB Bank with the record day of the 19th of March 2008, will take place. The Annual General Meeting was initiated and convened by the Board of SEB Bank. The Annual General Meeting of the Shareholders had to adopt resolutions on all issues included into the agenda:

1. Regarding the Annual Report of SEB Bank.
2. Regarding SEB Bank Auditor's Opinion.
3. Regarding the comments and proposals of the Supervisory Council of SEB Bank.
4. Regarding approval of Financial Statements of SEB Bank for 2007.
5. Regarding the appropriation of the profit of SEB Bank for 2007.
6. Regarding the election of a new member of the Supervisory Council of SEB Bank.

Over the year 2007, the Bank has also made 30 announcements of additional information (in accordance with requirements of Part 5, Article 25 of The Securities Law of the Republic of Lithuania).

SEB Bank provides information to the Securities Commission and Vilnius Stock Exchange about major events in accordance with the established procedure. According to the Articles of Association of SEB Bank information on major events is announced in daily *Verslo žinios* and communicated to news agency BNS.

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Audrius Žiugžda
President of SEB Bank

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Aušra Matusevičienė
Chief Financial Officer of SEB Bank

....
Agnė Vaitkevičiūtė
Director of Finance and Reporting Department of SEB Bank

March 2008,
Vilnius

Annex 1

Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market

The public company „*Name of Issuer*“, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	YES	
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	YES	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	YES	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	YES	
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	YES	
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	YES	
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	IRRELEVANT	
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	NO	Not all of these principles recommendations/provisions are adhered to a full extent (comments at each recommendation/provision)
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	YES	The board (executives directors) consists of 5 (five) members.

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

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

2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	YES	Members of the supervisory council are appointed for a four year tenure. Abiding by the bank's Articles of Association and according to its practice, a member of the supervisory council may be re-elected for another tenure. The number of tenures for members of the supervisory council is unlimited.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	YES	Chairman of the bank's supervisory council has never been the chief executive of the bank.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	YES	Provisions of the present recommendation are implemented by disclosing information to shareholders on candidates to the Supervisory Council of the Bank, by filling out a detailed questionnaire approved by the Bank of Lithuania on an individual's qualifications, expertise etc.; statements of the candidates to the Supervisory Council members on their current position with the Bank or with its subsidiary companies group; prior to electing any person to the Supervisory Council as its member, a permit of the Bank of Lithuania is obtained, etc.

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

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	NO	No provision on informing a collegial body on any subsequent changes in the provided information is adhered to.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	YES	
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	NO	The Supervisory Council does not determine its desired composition and does not have it periodically evaluated, as it is elected by shareholders, and the candidates as well as their qualifications are approved by the Bank's supervisory authority, namely, the Bank of Lithuania, by issuing a permit to elect a person to the Supervisory Council as its member, therefore, in our opinion, this is sufficient in order to maintain a balance of qualifications of members of the collegiate body. Provisions number two and three are met.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	NO	Candidates to the collegiate body as its members are approved by the Bank's supervisory authority, namely, the Bank of Lithuania, by issuing a permit to elect a person to the Supervisory Council as its member, also, the Bank of Lithuania is kept informed on changes in the data (including changes in qualifications) of the members, therefore, in our opinion, this is sufficient to ensure that that the bank's collegiate body would consist of only individuals with adequate qualifications, knowledge and skills. For these reasons, no individual programmes or annual reviews are conducted.

3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	NO	So far, the independence of members of the Supervisory Council has not been assessed. It should be noted that currently we are in a process of a mandatory buy-out of the Bank's shares, therefore, after the completion of the process and when the Bank has a single shareholder, this recommendation will be irrelevant.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems;	NO	The Bank has one major shareholder that proposes candidates to members of the Supervisory Council. Also, para. 6 of Art. 31 of the Law of the Republic of Lithuania on Banks establishes that a director of the board of a parent company may be member of the bank's supervisory council, thus, the Bank observes the requirements of the legal acts of the Republic of Lithuania. It should be noted that we are in a process of a mandatory buy-out of the Bank's shares, therefore, after the completion of the and when the Bank has a single shareholder, this recommendation will be irrelevant.

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

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

it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		

3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	NO	Comment at 3.7

3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	NO	Comment at 3.7
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	IRRELEVANT	
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	YES	The Supervisory Council provides the general annual meeting of shareholders with comments and proposals regarding the company's annual financial reporting, draft profit allocation, the company's annual report, also, it performs other functions of supervising the activities of the Bank and its managing bodies attributed to the competence of the Supervisory Council.

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

[7] See Footnote 3.

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

4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	NO	According to the data available to the Bank, each member of the Supervisory Council acts in good faith with regard to the company, abiding by the interests of the company and not those of his/her own or any third party, aiming to maintain his/her independence. However, the provision regarding independent members of the Supervisory Council is not observed as there are no such independent members.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	YES	Each member of the Supervisory Council performs his/her duties in a proper manner: by actively participating in the meeting of the collegiate body and by devoting sufficient time of his/her own for the performance of his/her functions as a member of the collegiate body.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	YES	

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

4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	NO	YES - the Supervisory Council approves the terms and conditions as well as the procedure for lending to the Bank's senior management and to persons, who are in close family relations or in-law relations with the Bank's senior management, establishes maximum limits for of such lending. However, the provision of the majority vote of independent members is not observed, because, as it has already been mentioned above, there are no independent members in the Supervisory Council.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	YES	

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

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	NO	There are no independent members. Only the audit committee is formed in the Bank.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	YES	The recommendation applies to the audit committee.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial	NO	The audit committee is not composed of independent members of the Supervisory Council, as there are no such members in the Supervisory Council at all. The provision regarding the minimum number of committee members is met.

body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.		
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	NO	YES – the audit committee functions in accordance with the regulations approved by the Supervisory Council that establish the authority of the committee. NO – the annual report doe not include information on the composition of committees, their meetings, trends of activities, etc.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	NO	YES – both members of the Supervisory Council and some other staff members or experts have a right to participate in the audit committee meetings, chairman of the committee approves the list of invited persons based on the audit committee regulations. NO – the rules regulating the committee activities do not specify any events when the chairman of committee has a possibility to maintain communication with shareholders.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	NO	Nomination Committee does not exist.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so,	NO	Remuneration Committee does not exist

the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);	YES	The Bank observes said regulations. The key listed functions are stated in the Audit Committee regulations. The Audit Committee discusses, on regular basis, the external auditors' comments, including the consistency of accounting methods.
• At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;	YES	Once a quarter, the audit committee discusses the internal audit and compliance reports that highlight the main drawbacks in the internal control and risk management, including risks related to the observance of the existing legal acts.
• Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;	YES	In the quarterly internal audit report the Audit Committee is provided with information on the status of implementation of the internal audit recommendations. During a meeting reasons are discussed due to which the recommendations have not been implemented in due time.
• Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;	YES	Regulations of the Audit Committee include this function of the committee. Audit company is selected at the SEB Group level. The Audit Committee discusses the terms and conditions of an agreement with an audit company. There were no situations leading the audit company to resign.
• Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;	YES	Envisaged in the regulations of the Audit Committee. According to the audit services agreement, the audit company ensures the rotation of partners in accordance with the laws. The SEB Group has a uniform SEB External Audit Policy, approved by SEB's Audit and Compliance Committees defining the independence of external auditors, providing of services to the SEB Group companies and purchase of other than audit services from external audit.
• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.	YES	Envisaged in the Audit Committee regulations. The Audit Committee discusses comments provided by external audit provided in a letter to the senior management as well as the comments of the Bank's senior management.
4.14.2. All members of the committee should be	YES	Note: The Bank does not carry on activities in any off-

furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.		shore centres.
4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.	YES	The Audit Committee meetings are always participated by the President of the Bank and Head of the Internal Audit Department. External auditors are always invited to the meetings.
4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.	YES	The regulations of the Internal Audit Committee and its work plans are approved by the Audit Committee. According to the regulations, the Internal Audit Department is directly reporting to the Chairman of the Supervisory Council, which fact ensures a possibility to directly turn to the Audit Committee and/or the Council.
4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.	YES	The Audit Committee is provided with quarterly internal audit set-format reports. The annual audit plan is approved by the Audit Committee. External auditors inform the Audit Committee on regular basis about the audit plans and audit services provided under an agreement.
4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.	NO	There is no set formal procedure.
4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.	YES	The Supervisory Council is provided for familiarisation with the entire documentation discussed by the Audit Committee.

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	NO	The provision regarding information on the internal organisation and announcement of activity procedures is not observed.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	YES	The meetings of both the Board and the Supervisory Council are chaired, convened and appropriate conducting of the meetings is ensured, respectively, by the Chairman of the Supervisory Council and the Chairman of the Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[11].	YES	Based on the work regulations of the Supervisory Council of the Bank, the Supervisory Council meetings are convened no less than once a quarter (in practice, they are convened more often), and based on the wok regulations of the Board of the Bank, meetings are convened no less than once a month (in practice, they are convened once a week).

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

5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	YES	Members of the Board of the Bank are familiarised with the material no less than two banking days prior to the planned meeting of the board; members of the Bank's Supervisory Council – no later than 5 calendar days in advance, and in urgent cases – no later than 2 calendar days in advance.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	YES	
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	YES	The Bank's authorised capital consists of ordinary registered shares granting equal voting rights to all holders of the Bank's shares.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	IRRELEVANT	The Bank effects public placement of bonds only.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the	NO	The Bank's Articles of Association do not establish criteria for major transactions based on which criteria transactions would be selected that require an approval of the general shareholders' meeting.

[12] The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set

general shareholders' meeting.[12] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.		
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	YES	General shareholders meetings are usually conducted at the Bank's domicile on the Bank's business days and ensuring, in a timely manner, equal opportunities for shareholders to attend the meeting, to lodge questions to members of the management bodies and receive answers to them.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance[13]. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	NO	Documents of the general shareholders' meeting including the minutes, are not publicly accessible, they are, abiding by the laws of the Republic of Lithuania, provided to shareholders for familiarisation and respectively to other persons that have attended the meeting.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	The Bank's shareholders may implement the right to attend the general shareholders' meeting both in person and via a proxy, if a person has a required authorisation or if a proxy agreement has been executed with such person pursuant to the procedure established by law, also, the Bank enables shareholders to vote by completing the general voting ballot, as provided for by the Company Law of the Republic of Lithuania.

out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

[13] The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574).

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	NO	The provision is not adhered to its full extent: so far, no necessity has occurred to use terminal equipment of telecommunications at the general shareholders' meetings.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	YES	Members of the Supervisory Council and the Board of the Bank adhere to the provisions contained in these recommendations. Regarding recommendation 7.3: a decision on lending to a person related to the Bank is taken by the Board by no less than 2/3 of votes of the Board members attending the meeting.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	YES	

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	YES	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	YES	When decisions are taken concerning transactions or other issues of personal or business interest to a person, such person abstains from voting.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	YES	
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	NO	NO - Remuneration statement does not focus on remuneration policy for the following year. YES - The remuneration policy establishes the remuneration principles not only to the directors, but also to all employees. In order to maintain the competitiveness of the remuneration level among financial institution in Lithuania, remuneration for the Bank staff is revised taking into consideration the Lithuanian remuneration market survey data.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of	NO	Remuneration statement includes only information required by the legal acts, and other information in bank's opinion, is not to be placed in public domain from a commercial point of view.

supplementary pension or early retirement schemes for directors.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	NO	Remuneration statement includes only information required by the legal acts, and other information in bank's opinion, is not to be placed in public domain from a commercial point of view.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	NO	There is no Remuneration committee.
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	NO	There is no Remuneration committee.

8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person	NO	Remuneration statement includes only information required by the legal acts, and other information in bank's opinion, is not to be placed in public domain from a commercial point of view. The overall employees' incentive policy is placed in the internal database only.

who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	IRRELEVANT	
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	NO	There is no such practice.

8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	NO NO	There is no such practice. There is no such practice.
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	NO	There is no such practice.
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES	

9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	NE	The Company does adhere to provision 6 under recommendation 10.1 because it is not required by the legal acts and is not important for the Company. All other information is announced by the Company via different communication channels: on its website, announcements on major events in mass media, press releases, press conferences.
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	YES	

10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	YES	
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	NO	To a certain extent the Company does not adhere to recommendations 10.4, as in the Company's opinion the information on the relations between the Company and persons with an interest in it, such as employees, creditors, suppliers, local community, including the Company's policy regarding human resources, programmes for employee participation in the Company's equity, etc. is information not to be placed in public domain.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	YES	Website, press releases, press conferences, announcements on major events.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	YES	Website, press releases, press conferences, announcements on major events. Information on services is available at any subdivision of the Bank, other information that must be published is available at the Bank's website. Those willing to familiarise with relevant information are provided with such information by the Bank staff at customer service outlets or at the Call Centre at 1528. Languages: Lithuanian and English

10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	YES	Taking into account that the Bank is issuer of listed debt securities
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	YES	Independent audit company conducts audit of the Company's interim financial reporting, the Company's annual financial reporting and its annual report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	NO	A candidate firm of auditors is proposed to the general shareholders' meeting by the Board of the Bank.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	IRRELEVANT	The audit company has not rendered any significant non-audit services to the Bank.

Income Statement
for the year ended 31 December 2007
(LTL 000s)

The Group 2007	The Group 2006		Note	The Bank 2007	The Bank 2006
1,229,238	773,564	Interest income		1,086,438	666,271
(616,872)	(347,733)	Interest expenses		(529,313)	(291,357)
612,366	425,831	Net interest income	6	557,125	374,914
(31,654)	(14,634)	Impairment losses on loans	7	(31,654)	(15,298)
(6,811)	(1,264)	Impairment losses on lease portfolio	7	-	-
(1,084)	(155)	Provisions for guarantees		(1,084)	(261)
(1,065)	(850)	Other impairment losses		(1,064)	(852)
(40,614)	(16,903)	Total impairment losses		(33,802)	(16,411)
571,752	408,928	Net interest income after impairment losses		523,323	358,503
257,970	195,380	Income on services and commissions	8	231,383	166,137
(64,114)	(59,370)	Expenses on services and commissions	8	(61,687)	(52,407)
21,746	28,576	Other income, net		13,207	13,126
47,153	2,601	Net gain on disposal of subsidiaries	26	55,521	13,368
21,813	16,073	Net gain on investment securities		1,608	2,080
-	-	Dividend income from subsidiaries		45,772	35,632
(19,576)	(28,889)	Net loss on operations with debt securities and derivative financial instruments	9	(22,434)	(30,039)
39,430	-	Net gain on sale of non - current assets held for disposal	30	24,378	-
90,836	101,773	Net foreign exchange gain	10	98,000	100,347
89,824	71,196	Net insurance premium revenue	11	-	-
(82,965)	(68,719)	Gross insurance expenses	12	-	-
6,859	2,477	Net life insurance income		-	-
(43,356)	(36,485)	Deposit insurance expenses		(43,350)	(36,093)
(170,924)	(142,573)	Staff costs	13	(144,542)	(114,500)
(158,799)	(142,437)	Other administrative expenses	14	(148,933)	(123,091)
(373,079)	(321,495)			(336,825)	(273,684)
600,790	346,054	Profit before income tax		572,246	333,063
(91,089)	(57,873)	Income tax	15	(76,152)	(47,530)
509,701	288,181	Net income		496,094	285,533
		Attributable to:			
509,701	288,174	Equity holders of the parent		496,094	285,533
-	7	Minority interest		-	-
509,701	288,181			496,094	285,533
		Earnings per share, attributable to equity holders of the parent (LTL):			
33.01	18.66	Basic	16	32.13	18.49
33.01	18.66	Diluted	16	32.13	18.49

The accompanying notes on pages 50 to 111 are an integral part of these financial statements.

A. Žiugžda
President

A. Matusevičienė
Chief Financial Officer

Balance Sheet as of 31 December 2007
(LTL 000s)

The Group 2007	The Group 2006		Note	The Bank 2007	The Bank 2006
		Assets			
460,494	360,724	Cash in hand		460,494	360,724
1,261,469	949,532	Balances with the Central Banks	17	1,261,469	949,532
978,270	813,908	Due from banks, net		977,976	813,594
2,060,853	1,751,730	Government securities – available for sale	18	2,060,257	1,751,130
594,860	408,986	Financial assets at fair value through profit or loss	19	192,653	169,146
340,182	117,734	Derivative financial instruments	20	340,182	117,734
30,254	22,431	Loans to credit and financial institutions, net of impairment allowances	21,23	1,155,117	936,547
17,753,288	13,221,093	Loans to customers, net of impairment allowances	7,22,23	17,750,245	13,301,177
3,928,138	2,706,668	Finance lease receivable, net of impairment allowances	24	-	-
42,406	160,325	Investment securities - available for sale	25	27,401	154,901
12,493	13,941	Investment securities - held to maturity	25	12,493	13,941
-	-	Investments in subsidiaries	26	58,941	89,208
184,947	184,196	Intangible fixed assets	27	184,396	183,380
76,343	58,453	Tangible fixed assets	28	58,136	56,959
12,149	14,951	Assets under operating lease	29	-	-
-	174,900	Non-current assets held for disposal	30	-	35,632
835	2,201	Deferred tax asset	15	-	-
251,762	197,805	Other assets, net of impairment allowances	31	155,085	129,435
27,988,743	21,159,578	**Total assets**		24,694,845	19,063,040
		Liabilities			
25	40	Amounts owed to the Central Banks		25	40
12,545,769	7,947,818	Amounts owed to credit and financial institutions	32	9,822,423	6,204,692
393,431	189,091	Derivative financial instruments	20	393,431	189,104
10,808,095	9,638,072	Deposits from the public	33	10,822,658	9,652,757
258,367	184,535	Liabilities in life insurance operations	34	-	-
136,052	58,438	Liabilities to investment contract holders		-	-
69,721	32,169	Accrued expenses and deferred income		58,633	27,593
58,425	49,328	Income tax payable		51,009	32,916
654,008	493,662	Subordinated loans	35	654,008	493,662
873,247	894,945	Debt securities in issue	36	875,442	903,530
1,045	2,412	Deferred tax liabilities	15	1,045	2,359
179,649	160,757	Other liabilities and provisions	37	80,345	108,636
25,977,834	19,651,267	Total liabilities		22,759,019	17,615,289
		Equity	38		
		Equity attributable to equity holder of the parent			
1,034,575	1,034,575	Paid in capital		1,034,575	1,034,575
1,034	104	Reserve capital		2,200	2,200
(7,442)	591	Financial assets revaluation reserve		(7,442)	577
35,215	15,270	Legal reserve		31,348	11,888
9,338	9,338	General and other reserves		9,338	9,338
938,189	448,433	Net income for the period and retained earnings		865,807	389,173
2,010,909	1,508,311			1,935,826	1,447,751
-	-	**Minority interest**		-	-
2,010,909	1,508,311	Total equity		1,935,826	1,447,751
27,988,743	21,159,578	**Total liabilities and equity**		24,694,845	19,063,040
29.53%	21.05%	Return on Average Equity attributable to equity holders of the parent		29.64%	22.90%
2.11%	1.59%	Return on Average Total Assets		2.30%	1.78%

Vilnius, 17 March 2008

The accompanying notes on pages 50 to 111 are an integral part of these financial statements.

A. Žiugžda
President

A. Matusevičienė
Chief Financial Officer

Statement of Changes in Equity of the Group
for the year ended 31 December 2007
(LTL 000s)

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Translation reserve	Legal reserve	General and other reserves	Retained earnings	Minority interest	Total
31 December 2005	**154,414**	**189,040**	**693,154**	**22,732**	**15,555**	**7,971**	**5,554**	**168,018**	**754**	**1,257,192**
Net change in available for sale investments, net of deferred tax	-	-	-	(22,141)	-	-	-	-	-	(22,141)
Net income for the period	-	-	-	-	-	-	-	288,174	-	288,174
Net income recognised directly in equity	-	-	-	*(22,141)*	-	-	-	*288,174*	-	*266,033*
Transfers to reserves	-	-	5,261	-	-	7,542	7,736	(20,539)	-	-
Other transfers	-	-	(23)	-	-	47	(3,952)	3,928	-	-
Share capital increase from reserves	880,161	(189,040)	(691,121)	-	-	-	-	-	-	-
Disposal of SEB Bank, Ukraine	-	-	(634)	-	(15,555)	-	-	624	(754)	(16,319)
Recognised SEB Bank, Ukraine acquisition income previously eliminated due to consolidation (note 26)	-	-	-	-	-	-	-	1,405	-	1,405
Liquidation of AB SEB VB Būsto Bankas	-	-	(6,533)	-	-	(290)	-	6,823	-	-
31 December 2006	**1,034,575**	**-**	**104**	**591**	**-**	**15,270**	**9,338**	**448,433**	**-**	**1,508,311**
Net change in available for sale investments, net of deferred tax	-	-	-	(8,033)	-	-	-	-	-	(8,033)
Net income for the period	-	-	-	-	-	-	-	509,701	-	509,701
Net income recognised directly in equity	-	-	-	*(8,033)*	-	-	-	*509,701*	-	*501,668*
Transfers to reserves	-	-	-	-	-	19,945	-	(19,945)	-	-
Disposal of UAB SEB VB Nekilnojamasis Turtas	-	-	930	-	-	-	-	-	-	930
31 December 2007	1,034,575	-	1,034	(7,442)	-	35,215	9,338	938,189	-	2,010,909

The accompanying notes on pages 50 to 111 are an integral part of these financial statements.

A. Žiugžda
President

A. Matusevičienė
Chief Financial Officer

Statement of Changes in Equity of the Bank
for the year ended 31 December 2007
(LTL 000s)

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Legal reserve	General and other reserves	Retained earnings	Total
31 December 2005	**154,414**	**189,040**	**693,321**	**22,971**	**6,026**	**5,554**	**113,286**	**1,184,612**
Net income for the year 2006	-	-	-	-	-	-	285,533	285,533
Net change in available for sale investments, net of deferred tax	-	-	-	(22,394)	-	-	-	(22,394)
Net income recognised directly in equity	-	-	-	*(22,394)*	-	-	*285,533*	*263,139*
Other transfers	-	-	-	-	-	(3,952)	3,952	-
Transfers to reserves	-	-	-	-	5,862	7,736	(13,598)	-
Share capital increase from reserves	880,161	(189,040)	(691,121)	-	-	-	-	-
31 December 2006	**1,034,575**	**-**	**2,200**	**577**	**11,888**	**9,338**	**389,173**	**1,447,751**
Net income for the year 2007	-	-	-	-	-	-	496,094	496,094
Net change in available for sale investments, net of deferred tax	-	-	-	(8,019)	-	-	-	(8,019)
Net income recognised directly in equity	-	-	-	*(8,019)*	-	-	*496,094*	*488,075*
Transfers to reserves	-	-	-	-	19,460	-	(19,460)	-
31 December 2007	**1,034,575**	**-**	**2,200**	**(7,442)**	**31,348**	**9,338**	**865,807**	**1,935,826**

Also see Note 38.

The accompanying notes on pages 50 to 111 are an integral part of these financial statements.

A. Žiugžda
President

A. Matusevičienė
Chief Financial Officer

Statement of Cash Flows for the year ended 31 December 2007
(LTL 000s)

The Group 2007	The Group 2006		The Bank 2007	The Bank 2006
		Cash from operating activities		
1,198,626	766,862	Interest income received	1,055,826	657,201
(487,626)	(376,162)	Interest expenses paid	(400,067)	(285,768)
90,836	101,773	Net foreign exchange gain	98,000	100,347
(19,576)	(28,889)	Net gain (loss) in securities trading and financial instruments	(22,434)	(30,039)
220,961	164,586	Net commission and service income	182,903	126,856
158,305	58,974	Life insurance operations	-	-
(170,924)	(142,573)	Staff costs	(144,542)	(114,500)
(260,088)	(139,055)	Other payments	(240,730)	(99,415)
730,514	405,516	**Net cash from operating activities before change in operating assets**	528,956	354,682
		Changes in operating assets		
39,448	(113,234)	Increase in compulsory balances with the Central Banks	39,448	(125,549)
(660,638)	(60,331)	Decrease (increase) in due from banks and loans to credit and financial institutions	(871,385)	(159,860)
(4,533,237)	(4,413,647)	Increase in loans to customers	(4,450,110)	(4,822,777)
(1,228,281)	(779,163)	Increase of finance lease receivable	-	-
121,244	(160,721)	(Increase) decrease in other current assets	(26,714)	(14,854)
(6,261,464)	(5,527,096)	**Net increase in operating assets**	(5,308,761)	(5,123,040)
		Changes in operating liabilities		
1,170,023	1,432,963	Increase in deposits from the public	1,169,901	1,447,367
(99,235)	167,900	Increase (decrease) in accrued expenses, deferred income and other liabilities	(68,564)	49,557
1,070,788	1,600,863	**Net increase in operating liabilities**	1,101,337	1,496,924
(4,460,162)	(3,520,717)	**Net cash (to) from operating activities before income tax**	(3,678,468)	(3,271,434)
(58,011)	(32,333)	Income tax paid	(48,955)	(25,422)
(4,518,173)	(3,553,050)	**Net cash (to) from operating activities after income tax**	(3,727,423)	(3,296,856)

The accompanying notes on pages 50 to 111 are an integral part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2007 (continued)
(LTL 000s)

The Group				The Bank	
2007	2006		Note	2007	2006
		Cash flow from (to) investing activities			
(48,040)	18,579	Sale (purchase) of tangible and intangible fixed assets, net		(28,123)	10,623
(317,156)	(643,079)	Decrease (increase) in investment in Government securities – available for sale		(317,146)	(699,823)
80,755	62,052	Disposal of subsidiaries, net of cash disposed	26	81,224	109,238
-	-	Dividends received from subsidiaries		45,771	35,632
(83,174)	365,221	Decrease (increase) of investment in other securities and derivatives		87,154	507,511
111,906	-	Sale of non-current assets held for disposal	30	71,291	-
(255,709)	(197,227)	**Cash used in investing activities**		(59,829)	(36,819)
		Cash flow from (to) financing activities			
(15)	2	Increase (decrease) in amounts owed to the Central Banks		(15)	3
4,597,951	3,288,267	Increase (decrease) in amounts owed to credit and financial institutions		3,617,731	2,909,554
160,346	441,860	Increase (decrease) in subordinated loans		160,346	441,860
(21,698)	435,959	Debt securities issued, net		(28,088)	433,974
4,736,584	4,166,088	**Cash received (used in) financing activities**		3,749,974	3,785,391
(37,298)	415,811	**Net increase in cash**		(37,278)	451,716
1,327,746	911,935	**Cash 1 January**		1,327,432	875,716
1,290,448	1,327,746	**Cash 31 December**		1,290,154	1,327,432
		Specified as follows:			
592,659	241,274	Balance available for withdrawal with the Central Banks	17	592,659	241,274
31,211	558,414	Overnight deposits		31,211	558,414
460,494	360,724	Cash on hand		460,494	360,724
206,084	167,334	Current accounts with other banks		205,790	167,020
1,290,448	1,327,746			1,290,154	1,327,432

The accompanying notes on pages 50 to 111 are an integral part of these financial statements.

A. Žiugžda
President

A. Matusevičienė
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 1 BACKGROUND INFORMATION

AB SEB Bank (the Bank) was registered as a public company in the Enterprise Register of the Republic of Lithuania on 2 March 1990. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Banks of the Republic of Lithuania and the Statutes of the Bank. On the 21st of January, 2008 SEB Vilniaus bankas has changed its name into SEB Bank – the Register of Legal Entities of the Republic of Lithuania has registered a new version of the Articles of Association of SEB Bank, approved by the Extraordinary General Shareholders Meeting that took place on the 15th of November, 2007, and has issued the new Registration Certificate.

The Head Office of the Bank is located at Gedimino pr. 12, Vilnius. At the end of the reporting period the Bank had 72 customer service units.

At the end of the reporting period AB SEB Bank had 5 subsidiaries. The Bank and its subsidiaries thereafter are referred as the Group.

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities as well as performs other activities set in the Law on Banks (except for operations with precious metals). Activities of subsidiaries are explained in note 26.

The Bank's shares are included in the non-listed list of shares of the Vilnius Stock Exchange. As it is further disclosed in Note 38, the largest shareholder is Skandinaviska Enskilda Banken, owning 99.7 percent of the Bank's shares.

These consolidated financial statements have been approved by the Board.

NOTE 2 BASIS OF PRESENTATION

These financial statements are presented in national currency of Lithuania, Litas (LTL). Amounts are presented in thousand LTL, unless otherwise stated.

The books and records of the Bank and other Group companies are maintained in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU).

The financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities held at fair value through profit and loss and all derivative contracts.

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Adoption of new and amended international financial reporting standards

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007:

- IFRS 7 Financial instruments: disclosures
- IFRIC 8 Scope of IFRS 2 Share-based payments
- IFRIC 9 Reassessment of embedded derivatives
- IFRIC 10 Interim financial reporting and impairment

The implementation of these standards did not result in substantial changes to the Group's accounting policies or the classification and valuation of financial instruments.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Adoption of new and amended international financial reporting standards (continued)

IFRS 7, Financial Instruments: disclosure (effective for annual periods beginning on or after January 2007), and the complementary Amendments to IAS 1, Presentation of Financial Statements – Capital disclosure were adopted by the Group in 2007. The IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The new disclosures are made in these financial statements.

The following standard and interpretation are mandatory 1 January 2007 but are not relevant to the Group:

- IFRIC 7 Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economics.

Standards, amendments and interpretations not yet effective that the Group has decided not to early adopt:

- IAS 1 Presentation of financial statements (amendment effective January 2009)
- IAS 27 Consolidated and separate financial statements (amendment effective July 2009)
- IFRS 2 Share-based payments (amendment effective January 2009)
- IFRS 3 Business combinations (amendment effective July 2009)
- IFRS 8 Segment reporting (replaces IAS 14 effective January 2009)
- IFRIC 14 Employee benefits under IAS 19 (effective January 2008)
- IAS 32 and IAS 1 Amendment (effective from 1 January 2009). Puttable financial instruments and obligations arising on liquidation. The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Group does not expect the amendment to affect its consolidated financial statements.

The amendment of IAS 1 will have an impact on the presentation of the financial statements as of 1 January 2009.

IAS 27 is amended in respect of the treatment of minority interests. The amendment states that minority share of result shall be reported regardless if negative, transactions with minority owners shall be reported in equity and if parent company looses control the remaining part shall be fair valued. The amendment has an impact on future transactions only.

IFRS 2 is amended in respect of vesting conditions and cancellations.

The amendment of IFRS 3 will change the way acquisitions are accounted for in respect of transaction costs. The standard does not change the procedure of earlier acquisition but only future. The Group will implement the standard as of 1 January 2010.

IFRS 8 replaces IAS 14. The standard requires the entity to disclose segments from a management view and according to internal reporting. Goodwill is distributed to a number of cash generating units and any change in disclosed segments implies that management will have to reallocate goodwill. According to the management estimates there will be no significant impairment of goodwill due to the reallocation.

IFRIC 14 has issued guidance on the limit in IAS 19 for a defined benefit asset and how to handle minimum funding requirements.

Interpretations issued that are neither effective nor relevant to the Group:

- IAS 23 Borrowing costs (amendment effective January 2009)
- IFRIC 11 Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). This interpretation is not relevant to the Group
- IFRIC 12 Service concession arrangements
- IFRIC 13 Customer loyalty programmes
- IAS 23 requires capitalization of borrowing costs for qualifying assets which currently is not relevant to the group. IFRIC 12 and 13 is not relevant as the Group neither delivers infra structure to the public sector nor has any customer loyalty program with multiple elements arrangements.

IAS 1, 23 and IFRIC 12, 13 and 14 have not yet been endorsed by EU.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of Accounting

The financial statements have been prepared in accordance with and comply with IFRS, adopted in the EU. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

c) Consolidated subsidiaries

Subsidiaries are all entities, over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

d) Foreign Currency Translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates;
- (iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Income Recognition

Interest income and expense are recognised for all interest bearing instruments on an accrual basis using the effective interest yield method based on the actual purchase price.

Commission and other income is recognised at the time of the related transaction. Commissions incurred in respect of long-term funding provided by financial institutions are deferred and recognised as an adjustment to the effective yield on the loan. All fees that are an integral part of the effective interest rate are amortised using effective interest rate.

Asset management fees related to investment funds are recognised as commissions, i.e. at the time of the related transaction or rateably over the period the service is provided, dependently on fees' substance. The rateable principle is applied for custody services that are continuously provided over an extended period of time.

f) Taxation

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

g) Dividend income

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

h) Cash and cash equivalents

Cash, overnight deposits, correspondent accounts with the Central Banks and correspondent accounts with other banks, due to their high liquidity are accounted for as cash and cash equivalents in the statements of cash flows.

i) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss represents two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for selling or repurchasing in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial asset are designated at fair value through profit or loss when certain investments, that are managed and evaluated on a fair value basis in accordance with a documented risk strategy management and reported to key management on that basis, are designated at fair valued through profit or loss. Interest income on these financial assets is reflected in 'Interest income'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

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

All regular way purchases and sales of financial assets are recognised at settlement date, which is the date that an asset is delivered to or by the Group. Otherwise such transactions are treated as derivatives until settlement occurs. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

j) Recognition of deferred day one profit and loss

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

The Group has entered into transactions, some of which will mature after more than one year, where fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is not recognised immediately in profit and loss.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the income statement without reversal of deferred day one profits and losses.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, currency swaps and other derivative financial instruments are initially recognised in the balance sheet at fair value net of transaction costs and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives held for trading are included in net gain on operations with debt securities and financial instruments.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognised assets (fair value hedge).

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset that are attributable to the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items are reflected in 'interest income', 'net gains (loss) on operations with debt securities, derivatives, financial instruments'. Any ineffectiveness is recorded in 'Net gains (loss) on operations with debt securities and financial instruments'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

l) Impairment of financial assets

*Assets carried at amortised cost: t*he Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Impairment of financial assets (continued)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the income statement.

*Assets carried at fair value: t*he Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for- sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

m) Finance lease receivable

Fixed assets under finance lease are recorded as finance lease receivables at the amount that is equal to the present value of the minimum lease payments. The difference between the gross receivables and the present value of the receivable is recognised as unearned lease income.

The rights and obligations arising from finance leases are recognised at the date of transfer of the asset to the lessee. Until that day, the payment from the prospective lessee is considered as a prepayment. The lease receivable is the amount financed in respect of the leased property less the amount of the prepaid first instalment.

Interest income from leasing activities is recognised based on contractual lease terms commencing from the date of delivery of the leased assets and is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Revenues from administration fees are recognised during the contract period.

n) Operating lease – the Group as a lessor

Assets leased out under operating lease are depreciated over their expected useful lives using straight-line method on the basis consistent with similar owned tangible fixed assets.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Operating lease – the Group as a lessee

To date, the leases entered by the Group are operating leases. The total payments made under operating leases are charged to the income statement on straight-line basis over the period of the lease.

p) Fixed Assets

In the balance sheet fixed assets are recorded at cost less accumulated depreciation and any accumulated impairment losses. Tangible fixed assets with a value less than the equivalent of LTL 900 and intangible fixed assets with a value less than the equivalent of LTL 5,000 are expensed.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining result before income tax. Repairs are charged to the income statement when the expenditure is incurred.

Depreciation and amortisation is calculated using the straight-line method of depreciation based on the estimated useful life of the asset. All amortisation and depreciation charges for the year are included in other administrative expenses. Useful lives of assets and their residual values are reviewed at each balance sheet date.

The following amortisation and depreciation rates are applied in the Group for the respective asset category:

Asset category	Depreciation period (years)
Software	3-5
Other intangible fixed assets	3-5
Buildings	25-50
Vehicles	5
Computer hardware and cash counting equipment	3-5
Office equipment	5
Other fixed assets	5

q) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Useful life of goodwill is indefinite. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

r) Non-Current Assets Held for Sale

The Group classifies a non-current asset (or disposal group) as held for sale when assets carrying amount will be recovered principally through a sale transaction, the management is committed to sell the asset and an active programme to locate a buyer have been initiated, the asset (or disposal group) is actively marketed for sale at a price that is reasonable in relation to its current fair value and it is expected to complete sale within one year from the date of classification. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets is ceased.

s) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Securities borrowing and lending transactions are entered into on a collateralised basis. Fair value of securities received or delivered is monitored on a daily basis to require or provide additional collateral. Cash collateral delivered is derecognised with a corresponding receivable and cash collateral received is recognized with a corresponding obligation to return it. Securities lent remain on the balance sheet and are reported as pledged assets. Borrowed securities are not recognised as assets. When borrowed securities are sold (short position), an amount corresponding to the fair value of the securities is entered as a liability.

u) Provisions

Provisions are measured at the present value of expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specified to the obligation.

v) Issued debt securities

Issued debt securities are classified as financial liabilities, which are repurchased as one amount or in instalments under a certain repayment schedule. Issued debt securities are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. They are measured at amortized cost using the effective interest rate approach. Debt securities placed prior to specified issue date are accounted as other liabilities. If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in net trading income.

w) Employee benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Social security contributions are paid by the Group to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognized as an expense on an accrual basis and are included within staff costs.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) *Fair values*

According to management estimates, carrying amounts of financial assets and liabilities that in these financial statements are accounted for at amortised cost, do not significantly deviate from their fair values, as there are no significant loans and deposits amounts at off-market rates.

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value.

	2007		2006	
	Book value	**Fair value**	**Book value**	**Fair value**
Loans to credit and financial institutions, net of impairment allowances, balances with the Central Bank and other due from banks, net	2,269,993	2,243,173	1,785,871	1,765,136
Loans to customers, net of impairment allowance	17,753,288	17,860,469	13,221,093	13,403,741
Finance lease receivable, net of impairment allowance	3,928,138	3,964,986	2,706,668	2,723,147
Investment securities – held to maturity	12,493	9,510	13,941	10,547
Total financial assets valued at amortised cost	23,963,912	24,078,138	17,727,573	17,902,571
Amounts owed to the Central Bank, credit and financial institutions	12,545,794	12,091,530	7,947,858	7,613,168
Deposits from the public	10,808,095	10,911,230	9,638,072	9,763,159
Subordinated loans, debt securities in issue	1,527,255	1,458,085	1,388,607	1,380,182
Total financial liabilities valued at amortised cost	24,881,144	24,460,845	18,974,537	18,756,509

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	2007		2006	
	Book value	**Fair value**	**Book value**	**Fair value**
Loans to credit and financial institutions, net of impairment allowances, balances with the Central Bank and other due from banks, net	3,394,562	3,366,954	2,699,673	2,668,059
Loans to customers, net of impairment allowance	17,750,245	17,860,489	13,301,177	13,483,825
Investment securities – held to maturity	12,493	9,510	13,941	10,547
Total financial assets valued at amortised cost	21,157,300	21,236,953	16,014,791	16,162,431
Amounts owed to the Central Bank, credit and financial institutions	9,822,448	9,848,357	6,204,732	5,848,032
Deposits from the public	10,822,658	10,925,793	9,652,757	9,777,844
Subordinated loans, debt securities in issue	1,529,450	1,460,280	1,397,192	1,388,767
Total financial liabilities valued at amortised cost	22,174,556	22,234,430	17,254,681	17,014,643

Loans to credit and financial institutions, net of impairment allowances, balances with the Central Bank and other due from banks, net. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans to customers and finance lease receivable, net of impairment allowance are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Fair values (continued)

Investment securities include only interest-bearing assets held to maturity; assets classified as available for sale are measured at fair value. Fair value for held-to-maturity assets is based on market prices.

Amounts owed to the Central Bank, credit and financial institutions**.** The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

Deposits from the public. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an actine market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Subordinated loans, debt securities in issue. The discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

y) Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

z) Insurance activities

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 5 percent more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These are accounted for under 'borrowings' accounting principles and presented under 'liabilities to investment contract holders' in the balance sheet.

Premiums written and outward reinsurance premiums

Unit-linked premiums are recognized on cash basis. Other insurance premiums written consist of premiums, written during the year according to the payment schedule provided by the policy. Premiums earned comprise premiums attributable to the reporting period. Outward reinsurance premiums represent reinsurance premiums attributable to the period in accordance with reinsurance contracts.

Claims paid and claims handling costs

Claims paid comprise claims actually paid during the period. Direct claims handling costs represent salaries paid to employees for claims handling and other directly related expenses.

Acquisition costs

Commissions to intermediaries are recognised as expenses over the period of the policies they relate to. For unit-linked insurance products 12 regulations commissions are recognised as expenses over one year. Acquisition costs, which relate to the periods subsequent to the accounting period, are included in deferred acquisition costs. No additional deferred acquisition cost asset is created for policies, for which Zillmer adjustment is used in calculating insurance reserves.

Technical insurance reserves

The *unearned premiums reserve* represents the part of premiums written which relates to the period of risk subsequent to the accounting period.

The *reserves for claims* represent amounts provided at the end of the accounting period in respect of estimated losses incurred but not yet paid including related claims handling costs. The reserve for claims incurred but unreported calculated by Chain – ladder method.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

z) Insurance activities (continued)

The *life insurance reserve* is the total value of the Group's net liabilities related to the life insurance contracts. Mortality coefficients, used for the insurance portfolio of UAB SEB Gyvybės Draudimas, are presented in the mortality table of Lithuania (according to the Lithuanian statistical data for 1989 and 1990). The Group uses guaranteed interest rate for calculation of reserve as follows:

- 3.5 % for insurance policies and pension policies contracted 2002 year.
- Maximum technical interest rate established by Insurance Supervisory Commission is used for other policies.

Life insurance reserve is calculated using prospective net premium method for each policy individually. Under the prospective net premium method the value of liabilities is taken as the present value of the future benefit less the present value of future net premiums. For endowment and scholarship policies Zillmer adjustment used for creating deferred acquisition costs, which reduce life insurance reserve.

For unit-linked insurance products, *unit-linked insurance reserve* is established. This reserve represents the accumulated amount of total insurance premiums paid by the policyholder reduced by risk premiums and administration fees and adjusted by the loss/gain on the linked investments.

For investment life insurance 12 regulations actuarial funding is used to reduce the unit-linked insurance reserve by the amount of acquisition costs.

Technical *reserve for bonuses and rebates* is calculated according to the results of the Group's activity or the insurance class for the traditional life insurance contracts (endowment with additional benefits, except Hermio asmens draudimo contracts, an endowment mortgage, and scholarship insurance).

Liability adequacy tests are performed for traditional and unit-linked businesses at each balance sheet date. In case any deficiency is identified it is charged immediately to income statement.

aa) Financial guarantees contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management. Any increase in the liability relating to guarantees is taken to the income statement under 'provisions for guarantees'.

bb) Return on average shareholders' equity and assets

Return on average shareholders' equity and assets are computed by dividing net income by average annual equity and assets respectively. Average annual amount is calculated using January 1st, March 31st, June 30th, September 30th, December 31st respective balances.

cc) Comparative information

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

dd) Segment reporting

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

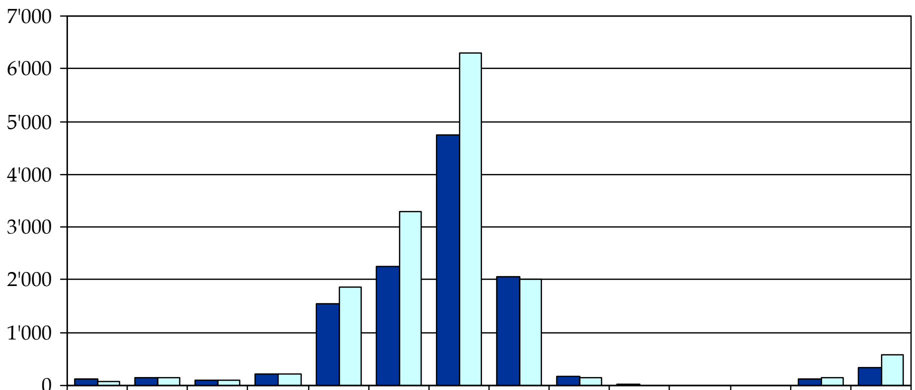
NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy

Definition of risk. SEB Bank defines the risk as the possibility of a negative deviation from an expected financial outcome. One consequence of risk-taking is the occurrence of losses, which can be broken into expected and unexpected losses. The "normal level" of losses (measured as expected losses) is considered as a cost of doing business from a risk point of view, and is covered through transaction pricing and risk reserves. The Bank shall make appropriate efforts to minimise expected losses through ensuring sound internal practices and good internal controls. The unusual, large and unexpected losses are not foreseen to be completely absorbed by day to day transaction profits. The primary protections against such losses are sound internal practices, good internal controls, insurance policies and earnings. The last loss-absorbing resource for unexpected losses is the capital of the Bank.

Credit risk. The Group takes on exposure to credit risk which is the risk that a counterpart will be unable to pay amounts in full when due. The credit exposure is measured in credit equivalents calculated taking into account the type of financial transaction. The Group's credit policy is based on the principal that any lending transaction must be based on credit analysis. Various credit security instruments are applied depending on the complexity of a transaction and trustworthiness of a customer. The Group's credit risk exposures are assessed on an individual and portfolio basis. The portfolio based assessment is applied to the following homogeneous credit groups having the similar risk characteristics: mortgage loans, consumer loans, credit cards, small corporate loans. The specific provisions for the homogeneous credit groups are formed by applying statistical methods based on historical data about the defaults of the borrowers and the suffered losses within the corresponding homogeneous credit group. The individually assessed borrowers are assigned to a relevant risk class reflecting the probability of default in particular risk class. The Group classifies the individually appraised borrowers into 16 risk classes. The information on distribution of individually appraised loans and leasing portfolio (in LTL million) by risk class is as follows:

** NR = non-rated counterparties*



	1-4	5	6	7	8	9	10	11	12	13	14	15	16	NR *
Dec '06	112	156	90	206	1'557	2'246	4'758	2'047	159	15	9	10	130	336
Dec '07	64	153	103	220	1871	3289	6309	2006	136	12	8	7	141	572

■ Dec '06 □ Dec '07

The analysis in the table above did not include private individuals LTL 6,922 million (2006: LTL 4,216 million), accrued interest LTL 41 million (2006: LTL 17 million), provision for impairment losses LTL 173 million (2006: LTL 136 million).

The Bank has got the permission from the regulators to use an IRB (Internal Ratings Based Approach, according to Basel II methodology) models in credit risk assessment process and for the regulatory capital calculation starting from the beginning of 2008 to be applied for the main credit portfolio segments: Corporate (Non-retail), Financial Institutions (Non-retail), Small Corporate (Retail) and Private Individuals (Retail). The Group uses different risk classification systems applicable for particular portfolio segment. The same expert judgment based risk classification systems are used for credit risk assessment of Non-retail credit exposures in all parts of SEB Group. The credit risk analysis of Non-retail credit exposures is based on the assessment of the ability of borrowers to meet interest and principal amount repayment obligations. The credit risk of the Non-retail borrowers is reviewed on regular basis at least once per year depending on the risk class assigned to the borrower.

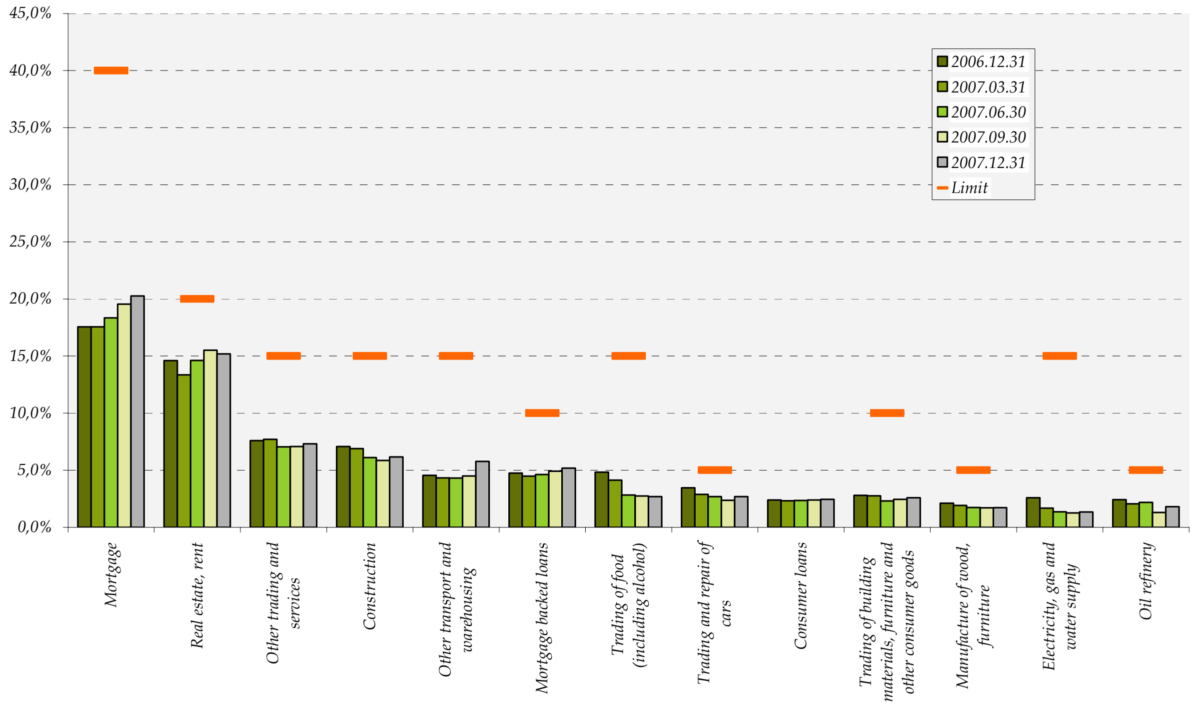
NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

Scoring models are used in credit risk assessment process of Retail exposures. The application scoring models are used for the assessment of counterparty risk (Probability of Default) and transaction risk (Loss Given Default) during customer credit application phase. Due to the fact that credit worthiness of the clients changes over time the Retail exposures are re-scored quarterly by using the behavioural scoring models.

The Group structures the levels of credit portfolio risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. The credit risk exposure to a single borrower or borrowers' groups and the industries are monitored on a regular basis.

Credit concentration exposure limits (on balance and off balance) are established by Assets and liability management committee (ALCO) and regularly monitored by risk control function. The table below represents the development of credit exposures within particular industries and compliance with established concentration limits. The information about the concentration of largest credit exposures by industries is presented in Note 23.



NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements. The below table represents a worse case scenario of credit risk exposure to the Group at 31 December 2007 and 2006, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

2007	2006		2007	2006
978,270	813,908	Due from banks, net	977,976	813,594
2,060,853	1,751,730	Government securities – available for sale	2,060,257	1,751,130
594,860	408,986	Financial assets at fair value through profit or loss	192,653	169,146
340,182	117,734	Derivative financial instruments	340,182	117,734
30,254	22,431	Loans to credit and financial institutions, net of impairment allowances	1,155,117	936,547
		Loans to customers, net of impairment allowances		
3,257,495	2,144,142	Property management	3,257,495	2,235,740
7,408,969	6,679,626	Other corporate	7,405,926	6,668,112
337,616	294,174	Public	337,616	294,174
5,286,351	3,021,764	Mortgage loans	5,286,351	3,021,764
1,462,857	1,081,387	Other private individuals	1,462,857	1,081,387
		Finance lease receivable, net of impairment allowances		
3,674,105	2,510,168	Corporate	-	-
148,293	101,626	Private individuals	-	-
105,740	94,874	Other	-	
42,406	160,325	Investment securities – available for sale	27,401	154,901
12,493	13,941	Investment securities – held to maturity	12,493	13,941
188,361	143,632	Other financial assets, net of impairment allowances	127,949	107,310
5,839,519	5,376,768	Credit risk exposures relating to off-balance sheet items	5,605,938	5,150,290
31,768,624	24,737,216	**Total as of 31 December**	28,250,211	22,515,770

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio and debt securities. For information on loan ratings see Credit risk management note information above. More than 97% of the investments securities compose of government debt securities that have at A - credit rating.

Market risk. Market risk is defined as the risk of a loss or reduction of future net income following changes in interest rates, foreign exchange and equity prices, including price risk in connection with the sale of assets or closing of positions. A particular distinction shall be made between trading book related market risks and structural market and net interest income risks, i.e. non-trading risk. The overall market risk exposure (trading and non-trading) is measured using Value-at-Risk (VaR) model based on variance/covariance method that express the maximum potential loss that can arise at a chosen level of probability during a certain period of time. Trading risk is measured on daily basis using 99 percent probability level and 10 days time horizon. VaR exposure for non-trading positions is calculated on monthly basis using 10 days time horizon and the same probability level. Historical data are based on 90 days for estimation of volatility and correlation. Additionally the Bank uses the sensitivity measures applied for risk assessment of specific market risk type/portfolio/position: delta 1 p.p. is applied for interest rate sensitive portfolios/positions, delta/gama/vega measures – for options, etc. Value at Risk assessment results on the total portfolio positions are shown in Note 43.

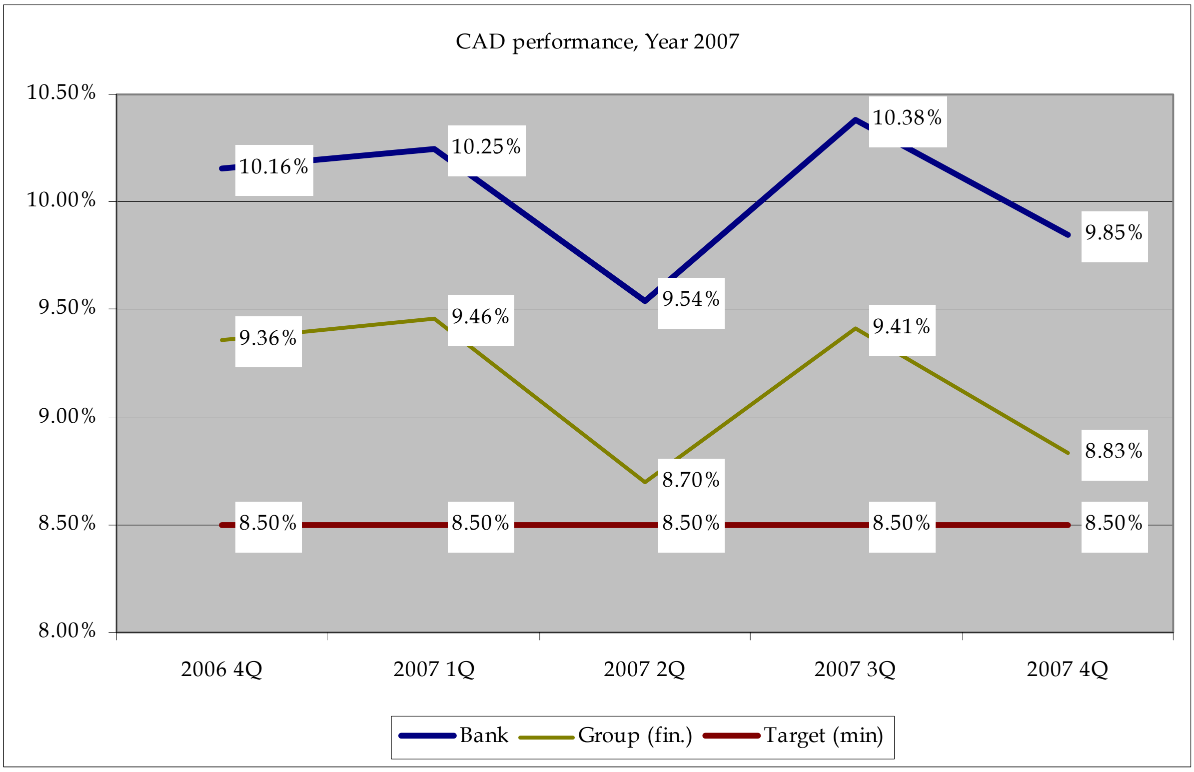
NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

Capital adequacy. The Lithuanian banks are required to maintain a capital adequacy ratio of at least 8.0 percent of risk weighted assets to capital base. The Group's capital policy foresaw to maintain the level of the capital adequacy ratio during year 2007 soundly above the minimum required in a range of 8.5-9.0 percent being able to efficiently support the implementation of the business goals. The Bank and the Group has finished the year 2007 with the capital adequacy ratio 9.85 percent and 8.83 percent respectively.

General Regulations for the Internal Capital Adequacy Assessment Process (ICAAP) came into effect as from 1 January 2007. The Group's goal for the year 2008 is to achieve that ICAAP result is continuously higher than 9.9 per cent, if recalculated in accordance with capital adequacy rules (see achievements on Basel 2 implementation).

The components of capital adequacy calculation and the ratios as of 31 December 2007 are presented in note 41.



Currency risk. Foreign Exchange Risk exposure is defined by two measures: single open currency position against LTL and aggregated general open currency - the bigger one of summarized long and short open currency positions. The foreign exchange risk measure contains the net exposure of spot and forward positions, FX futures including gold, the delta equivalent position of FX options plus other balance sheet items. The currency risk control is ensured by monitoring the risk exposure against the limits established for single open currency position.

The net positions of assets and liabilities denominated in foreign currencies as of 31 December 2007 are presented in Note 42

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

Interest rate risk. Interest rate risk is managed by forecasting the market interest rates and managing the mismatches between assets and liabilities by re-pricing maturities. The Bank applies the interest rate risk management methods allowing to measure the Group's sensitivity to interest rate changes by computing the impact to yearly net interest income (called ΔNII) and the net effect to the market value of shareholders equity (called delta 1%) in case of parallel shift by percentage point in the yield curve.

The interest rate risk management as of 31 December 2007 is presented in Note 43.

Liquidity risk. Liquidity risk is the risk that the Group may be unable to timely fulfil its payment obligations or to finance or realize its assets over the certain period at an acceptable price. The Group adheres to a conservative liquidity risk management policy that ensures adequate fulfilment of current financial obligations, the level of obligatory reserves with the Central Bank, liquidity ratio higher than that established by the Bank of Lithuania and payment capacity under unforeseen unfavourable circumstances. The liquidity risk management system is based on the analysis of actual cash flows.

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

The Group's undiscounted non-derivative financial liability analysis as of 31 December 2007:

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit and financial institutions	1,369,875	14,152	254,953	806,512	12,281,544	14,727,036
Deposits from public	9,636,120	601,299	527,557	73,181	8,084	10,846,241
Debt securities in issue and subordinated loans	114,683	30,531	126,360	606,552	1,024,977	1,903,103
Other financial liabilities	220,709	7,569	68,011	4,034	402,936	703,259
Total undiscounted non-derivative financial liabilities	11,341,387	653,551	976,881	1,490,279	13,717,541	28,179,639
Off balance sheet commitments related to lending	1,409,950	362,055	854,378	655,625	1,896,307	5,178,315
Rental off balance sheet commitments	7,749	7,704	15,369	65,272	81,017	177,111

The Group's undiscounted non-derivative financial liability analysis as of 31 December 2006:

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit and financial institutions	2,088,060	1,029,259	147,756	833,563	4,579,315	8,677,953
Deposits from public	8,518,214	528,079	514,823	87,802	30,284	9,679,202
Debt securities in issue and subordinated loans	340,687	79,088	75,196	397,189	729,422	1,621,582
Other financial liabilities	170,239	3,584	60,980	9,159	243,677	487,639
Total undiscounted non-derivative financial liabilities	11,117,200	1,640,010	798,755	1,327,713	5,582,698	20,466,376
Off balance sheet commitments related to lending	1,458,354	230,808	590,694	770,537	1,705,307	4,755,700
Rental off balance sheet commitments	5,526	2,334	3,742	11,863	71	23,536

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

The Bank's undiscounted non-derivative financial liability analysis as of 31 December 2007:

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit and financial institutions	1,386,223	2,688	182,745	372,296	9,577,055	11,521,007
Deposits from public	9,650,683	601,299	527,557	73,181	8,084	10,860,804
Debt securities in issue and subordinated loans	114,786	30,531	127,645	606,552	1,025,966	1,905,480
Other financial liabilities	136,181	243	51,389	472	2,747	191,032
Total undiscounted non-derivative financial liabilities	11,287,873	634,761	889,336	1,052,501	10,613,852	24,478,323
Off balance sheet commitments related to lending	1,523,272	338,162	528,034	655,414	1,896,307	4,941,189
Rental off balance sheet commitments	7,570	7,538	15,059	63,501	80,972	174,640

The Bank's undiscounted non-derivative financial liability analysis as of 31 December 2006:

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit and financial institutions	2,111,863	988,822	111,705	333,931	3,171,030	6,717,351
Deposits from public	8,518,214	528,079	514,823	87,802	30,284	9,679,202
Debt securities in issue and subordinated loans	340,687	81,485	75,196	403,896	729,423	1,630,687
Other financial liabilities	114,074	2,102	50,556	350	4,422	171,504
Total undiscounted non-derivative financial liabilities	11,084,838	1,600,488	752,280	825,979	3,935,159	18,198,744
Off balance sheet commitments related to lending	1,218,642	225,791	597,482	772,485	1,705,431	4,519,831
Rental off balance sheet commitments	5,157	2,334	3,742	11,863	71	23,167

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

Undiscounted derivative instruments analysis for the Bank and the Group as of 31 December 2007:

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
IRS	34,337	62,257	41,777	266,683	489,337	894,391
FX forwards	232,248	11,455	16,357	1,014	1,518	262,592
FX swaps	1,248,437	255,507	34,528	-	-	1,538,472
Equity options	25,284	6,033	74,172	190,750	9,285	305,524
Interest rate options	994	994	1,989	4,972	-	8,949
Total outflows	1,541,300	336,246	168,823	463,419	500,140	3,009,928
Inflows:						
IRS	34,128	32,364	65,169	235,946	449,696	817,303
FX forwards	231,643	10,660	15,429	990	1,476	260,198
FX swaps	1,248,701	256,873	34,938	-	-	1,540,512
Equity options	25,284	6,033	74,172	190,750	9,285	305,524
Interest rate options	994	994	1,989	4,972	-	8,949
Total inflows	1,540,750	306,924	191,697	432,658	460,457	2,932,486

Undiscounted derivative instruments analysis for the Bank and the Group as of 31 December 2006:

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
IRS	7,043	36,134	14,431	115,811	172,640	346,059
FX forwards	117,381	6,075	34,991	8,629	4,262	171,338
FX swaps	388,579	34,679	18,986	-	-	442,244
Equity options	-	-	8,085	97,578	1,492	107,155
Total outflows	513,003	76,888	76,493	222,018	178,394	1,066,796
Inflows:						
IRS	9,904	12,078	23,469	98,828	135,268	279,547
FX forwards	115,429	6,014	32,486	8,386	4,432	166,747
FX swaps	389,612	34,717	18,996	-	-	443,325
Equity options	-	-	8,085	97,578	1,492	107,155
Total inflows	514,945	52,809	83,036	204,792	141,193	996,775

In the tables above net-settled derivatives are included in the analysis only if they have a negative fair value at the balance sheet date (if they are liabilities at that date). However all gross-settled derivatives are included in the analysis whether their fair value is negative or positive at balance sheet date. Pay leg of such derivatives is presented as outflow and receive leg as inflow. The maturity of the Group's and Bank's assets and liabilities is presented in Note 40 and shows the remaining period from the balance sheet date to the contractual maturity.

The maturity of the leasing portfolio is presented in Note 24 and shows the remaining period from the balance sheet date to the contractual maturity.

Operational risk is defined as the risk of loss due to external events (natural disasters, external crime, etc) or internal factors (e.g. breakdown of IT systems, mistakes, fraud, non-compliance with external and internal rules, other deficiencies in internal controls).

The Bank has got the permission from the regulators to use an AMA (Advanced Measurement Approach) model in operational risk assessment process and for the regulatory capital calculation for operational risk starting from the beginning of 2008.

The Bank has developed the several operational risk management tools: Operational risk policy, ORSA (Operational Risk Self Assessment) RTSA (Rogue Trading Self Assessment) instructions, Insurance policy and contingency plans to minimise the operational risks in business processes. In addition to that the Bank has implemented SEB Group wide IT solution called ORMIS designed to identify, analyse, report and mitigate the risk. Key risk indicators serve as early warning signals about changes of risk levels in business areas or processes. Operational risk self assessments are performed in business units and major business processes on a regular basis. Operational risk management system enables all staff of the Group to register all operational risk incidents and the management at all levels is able to assess, monitor and mitigate risks and compile prompt and timely reports.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

Stress testing. Stress tests and scenario analysis are widely used to identify high-risk areas and relationships including concentration risks, its risk drivers and to evaluate the combined effect of shocks in the market. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Control include the risk factor stress testing, where stress movements are applied to each risk category: market, credit, liquidity and operational risk. The ultimate goal of the analysis is to estimate net effect of the stress scenarios to the capital of the Bank and the Group and prepare the action plan ensuring that the business operations shall be secured in case the worst case scenario occurs. The comprehensive scenario based stress testing covering all appropriate risk types is conducted at least annually and reported to the Asset Liability Management Committee (ALCO).

Internal control. Management of the Bank and heads of subsidiaries has a responsibility to ensure that the appropriate organisation, procedures and support systems are implemented to ensure that a sufficient system of internal controls, such as reconciliation to position systems and accounting ledgers, segregation of duties, confirmations, daily bookkeeping, market valuations, limits and limit follow-up, etc., is implemented. Limits shall be one way to manage risks where applicable and possible. A system for limiting and following up the amount of risk to be taken is implemented. The Board of Directors of SEB sets the overall limits in terms of risk in SEB. SEB Group ALCO sets the overall limits to SEB Bank at the proposal of ALCO of SEB Bank. Decisions on the limits must be documented in written form. The compliance with the risk limits applicable for the Bank and/or the Group are controlled by Risk Control function of the Bank.

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Downgrading to internal risk class 16, or scoring E;
- Proceeds of the loan without a prior consent of the bank are used for the purposes other that stipulated in the loan agreement ant this event has a negative impact on the credit risk of the borrower;
- Breach of investment project covenants having a negative impact on the credit risk of the borrower;
- Related persons of the borrower are in default and this is having impact on the credit risk of the borrower;
- Deterioration of active market for debt securities due to financial distress;
- Deterioration in value of collateral, in cases where repayment conditions are directly related to the value of collateral and earnings method was applied for establishing such collateral value;
- Suspension or withdrawal of license for the borrowers that carry licensed activities (for example trade of oil products, utilities, etc.) and this event has a negative impact on the credit risk of the borrower.

A review of exposure should be made in credit committee after the borrower has been in arrears for more than 30 days or any of the above mentioned impairment criteria have been met. All cases meeting the impairment criteria has to be presented to the respective Credit Committee before 15th day of each month.

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ff) Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Unit-linked contracts. The policyholders in unit-linked contracts choose to invest in a variety of funds. The insurance company providing unit-linked products invests in the funds chosen by the customers. By doing so the Group might, in some cases, hold more than 50 per cent of the funds, which it holds on behalf of the customers for whom it acts as investment manager. Due to the legislation regarding fund operations, the Group considers that it does not have the power to govern the financial and operating policies of such investment funds to obtain benefits. This applies irrespective of whether the funds held on behalf of customers are greater or less than 50 percent of a fund. It is the policyholders who carry the investment risk, not the Group. Consequently, the policyholders are entitled to all of the returns generated by the funds. The Group only charges fees, on market conditions, for managing the funds. The Group has come to the conclusion that the funds which it manages should not be consolidated.

Impairment losses on loans and advances. The Bank and the Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the impairment losses differ by +/-5%, the provision would be estimated higher or lower by LTL 7,889 thousand (2006: LTL 6,494 thousand), of which LTL 5,404 thousand (2006: LTL 5,290 thousand) coming from loans and advances assessed individually and LTL 2,485 thousand (2006: LTL 1,204 thousand) from loans and advances assessed on pool basis.

Renegotiated loans are no longer considered to be past due unless further renegotiations.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

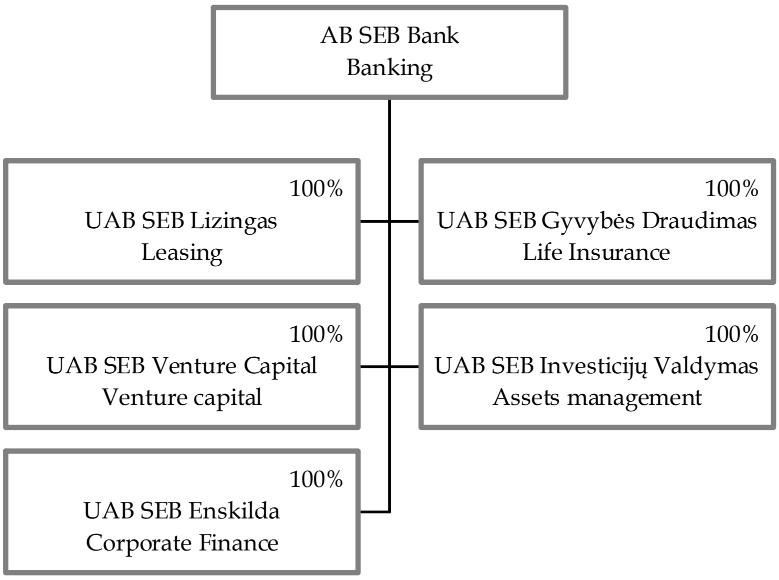
Finance leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards. The Group considers that risks and rewards are substantially transferred if present value of minimal lease payments constitutes not less than 90% of acquisition value of the asset leased.

Goodwill. Recoverable amount of goodwill was estimated based on value in use calculation. Refer to Note 27.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. All such not quoted derivative financial transactions are entered with SEB group. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

NOTE 4 GROUP'S STRUCTURE AND OPERATIONS

Organizational structure of AB SEB Bank Group as of 31 December 2007 was as follows:



In December 2007 the Bank disposed its subsidiary UAB SEB VB Nekilnojamasis Turtas (real estate company).

In February 2005 UAB SEB Enskilda (previously UAB SEB Vilfima, renamed in December 2006) established subsidiaries in Latvia and Estonia and as of 31 December 2006 held 100 percent of shares in each subsidiary. The subsidiaries were engaged in corporate finance activities. Both subsidiaries were sold during 2007.

During 2006 the Bank disposed SEB Bank, Ukraine to the Bank's shareholder SEB and initiated AB SEB Būsto Bankas subsidiary liquidation procedure.

For more information see note 26.

NOTE 5 SEGMENT INFORMATION (LTL 000s)

Primary reporting format – business segments. The Group is organised into seven main business segments: banking, leasing, venture capital, investment management, corporate finance, life insurance and real estate. Transactions between the business segments are on normal commercial terms and conditions.

Secondary reporting format – geographical segment based on location of customers. The main segments are Lithuania (home market), EU countries, United States, other. None except Lithuania does not generate significant revenue.

Business segments are represented by legal entities and therefore costs are allocated directly to each business segment.

As of 31 December 2006 non-current assets held for sale were included in banking, leasing and real estate business segments LTL 35.6 million, LTL 19 million and LTL 120 million respectively.

NOTE 5 SEGMENT INFORMATION (LTL 000s) (CONTINUED)

Primary reporting format – business segments for the year ended 31 December 2007

	Consolidated segments							Elimina-tions and adjust-ments	Total
	Banking	Leasing	Venture capital	Investment manage-ment	Corporate finance	Life insurance	Real estate company		
Revenues:									
Internal	119,215	261	237	335	116	1,537	9,537	(131,238)	-
External	1,415,544	222,484	8,464	29,740	10,001	101,851	991	-	1,789,075
	1,534,759	222,745	8,701	30,075	10,117	103,388	10,528	(131,238)	1,789,075
Expenses:									
Internal	(10,466)	(45,513)	(45)	(18,333)	(225)	(6,319)	(4,564)	85,465	-
External	(968,467)	(116,795)	(2,847)	(7,403)	(7,165)	(22,054)	(2,336)	-	(1,127,067)
	(978,933)	(162,308)	(2,892)	(25,736)	(7,390)	(28,373)	(6,900)	85,465	(1,127,067)
Depreciation and amortisation	(25,930)	(5,758)	(8)	(50)	(25)	(419)	(11)	-	(32,201)
Impairment losses on loans and finance lease	(33,802)	(6,811)	-	-	-	-	-	-	(40,613)
Life insurance technical provisions	-	-	-	-	-	(71,126)	-	-	(71,126)
Other eliminations	-	-	-	-	-	-	-	(8,367)	(8,367)
Result for the year	496,094	47,868	5,801	4,289	2,702	3,470	3,617	(54,140)	509,701
Assets	24,694,845	4,043,197	32,684	17,697	10,437	429,662	-	(1,239,779)	27,988,743
Liabilities	22,759,019	3,983,182	1,288	6,239	4,456	404,487	-	(1,180,837)	25,977,834
Investments in fixed assets	28,497	17,740	7	40	60	225	1	-	46,570

The year ended 31 December 2006

	Consolidated segments							Elimina-tions and adjust-ments	Total
	Banking	Leasing	Venture capital	Investment manage-ment	Corporate finance	Life insurance	Real estate company		
Revenues:									
Internal	81,202	348	329	353	300	313	10,126	(92,971)	-
External	955,974	126,537	1,089	16,465	5,925	84,531	3,108	-	1,193,629
	1,037,176	126,885	1,418	16,818	6,225	84,844	13,234	(92,971)	1,193,629
Expenses:									
Internal	(14,972)	(22,957)	(67)	(1,247)	(218)	(1,927)	(5,184)	46,572	-
External	(690,979)	(65,109)	(683)	(12,057)	(3,994)	(18,034)	(2,894)	-	(793,750)
	(705,951)	(88,066)	(750)	(13,304)	(4,212)	(19,961)	(8,078)	46,572	(793,750)
Depreciation and amortisation	(27,248)	(7,498)	(4)	(62)	(28)	(230)	(1,691)	-	(36,761)
Impairment losses on loans and finance lease	(15,639)	(1,264)	-	-	-	-	-	-	(16,903)
Life insurance technical provisions	-	-	-	-	-	(58,034)	-	-	(58,034)
Minority interest	(7)	-	-	-	-	-	-	-	(7)
Result for the year	288,331	30,057	664	3,452	1,985	6,619	3,465	(46,399)	288,174
Assets	19,063,036	2,796,114	34,649	12,835	12,288	271,844	122,935	(1,154,123)	21,159,578
Liabilities	17,615,289	2,753,910	106	2,054	1,280	250,139	92,482	(1,063,993)	19,651,267
Investments in fixed assets	37,699	8,572	16	48	29	650	3,106	-	50,120

NOTE 6 NET INTEREST INCOME (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
		Interest income:		
9,555	6,282	- on balances with Central Banks	9,555	6,282
30,567	37,561	- on loans and advances to credit institutions	75,336	62,600
899,708	541,294	- on loans and advances to customers	903,502	521,338
191,336	111,381	- on finance leasing portfolio	-	-
98,072	77,043	- on debt securities	98,045	76,048
-	3	- other interest and related income	-	3
		Interest expenses:		
(440,240)	(194,383)	- on amounts owed to credit and financial institutions	(352,219)	(146,080)
(145,704)	(113,854)	- on deposits from the public	(145,704)	(105,499)
(30,928)	(39,496)	- on debt securities	(31,390)	(39,778)
612,366	425,831	**Total net interest income**	557,125	374,914

Within interest income on debt securities amount for the year 2007 included LTL 84,630 thousand (LTL 67,214 thousand in 2006) interest income on debt securities included in available-for-sale portfolio the rest amount of interest income on debt securities related to assets that are at fair value through profit or loss.

NOTE 7 IMPAIRMENT LOSSES ON LOANS, FINANCE LEASING RECEIVABLE AND OTHER ASSETS (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
(33,271)	(29,139)	Impairment losses on loans to customers charge for the year, net	(33,271)	(29,803)
1,617	14,505	Recovered written off loans	1,617	14,505
(31,654)	(14,634)	**Impairment losses on loans losses, net**	(31,654)	(15,298)

Movements in impairment losses during year 2007 can be specified as follows:

The Group			The Bank	
2007	2006		2007	2006
130,522	108,244	Impairment losses on loans as of 1 January (note 22)	130,522	102,344
		Impairment losses charged to income statement by customer category, net:		
9,262	19,864	Other corporate	9,262	19,484
463	(161)	Property management	463	(161)
14,210	4,767	Mortgage	14,210	5,819
9,336	4,603	Other private individuals	9,336	4,603
(1,855)	(1,536)	Loans (mainly other corporate) written off	(1,855)	(1,393)
(120)	(486)	Effect of change in exchange rate	(120)	(174)
-	(4,773)	Changes in impairment losses due to disposal of SEB Bank, Ukraine	-	-
161,818	130,522	**Impairment losses on loans as of 31 December**	161,818	130,522

Impairment losses on loans relate to loans to customers as of 31 December 2007 and 2006 are specified in Note 22. Bank's impairment losses as of 31 December 2005 were as follows: for property management LTL 193 thousand, other corporate LTL 89,461 thousand, mortgage LTL 6,453 thousand and other private individuals LTL 6,237 thousand. SEB Bank's impairment losses as of 31 December 2006 were added to other corporate. No impairment losses are recognised on other financial classes.

NOTE 7 IMPAIRMENT LOSSES ON LOANS, FINANCE LEASING RECEIVABLE AND OTHER ASSETS (LTL 000s) (CONTINUED)

The Bank had LTL 126,168 thousand of individually impaired loans, gross of impairment allowances as of 31 December 2007 (2006: LTL 123,176 thousand). Accrued interest on these loans amounted to LTL 1,755 thousand as of 31 December 2007 (2006: LTL 1,428 thousand). Interest income on these loans during 2007 amounted to LTL 707 thousand (2006: LTL 2,279 thousand). Impaired loans referred to above are identified in accordance with the Bank's Credit Loss Instructions.

The Group and the Bank accounted for the following impairment losses for finance lease portfolio and other assets:

The Group			The Bank	
2007	2006		2007	2006
13,450	6,949	Impairment losses on finance lease portfolio	-	-
401	408	Impairment losses on other assets	45	51
13,851	7,357	**Impairment losses on finance lease portfolio and other assets as of 31 December**	45	51

Movements in impairment losses for finance lease portfolio during year 2007 can be specified as follows:

The Group			The Bank	
2007	2006		2007	2006
6,949	5,914	Impairment losses on finance lease portfolio as of 1 January (note 24)	-	-
		Impairment losses charged to income statement, net:		
6,364	947	Corporate	-	-
447	88	Private individuals	-	-
		Finance leasing receivable written off		
(284)	-	Corporate	-	-
(26)	-	Private individuals	-	-
13,450	6,949	**Impairment losses on finance lease portfolio as of 31 December**	-	-

Impairment losses on finance lease receivable as of 31 December 2007 and 2006 are specified in Note 24. Impairment losses as of 31 December 2005 were as follows: for corporate LTL 5,400 thousand, and private individuals LTL 514 thousand.

NOTE 8 INCOME AND EXPENSES ON SERVICES AND COMMISSION (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
56,686	56,126	For money transfer operations	56,686	51,153
83,799	60,907	For payment cards services	83,799	59,908
17,096	11,150	For operations with securities	17,096	11,102
100,389	67,197	Other income on services and commissions	73,802	43,974
257,970	195,380	**Income on services and commissions**	231,383	166,137
(2,339)	(2,611)	For money transfer operations	(2,339)	(2,072)
(43,170)	(35,381)	For payment cards services	(43,170)	(35,128)
(3,698)	(2,288)	For operations with securities	(3,698)	(2,317)
(14,907)	(19,090)	Other expenses on services and commissions	(12,480)	(12,890)
(64,114)	(59,370)	**Expenses on services and commissions**	(61,687)	(52,407)

NOTE 9 NET GAIN (LOSS) ON OPERATIONS WITH DEBT SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
2,121	1,194	Realised result from operations with debt securities in trading portfolio	2,121	1,194
(7,217)	(5,019)	Unrealised result from operations with debt securities at fair value through profit or loss portfolio	(7,180)	(3,073)
(29,501)	(7,025)	Result of available for sale portfolio designated for fair value hedge	(29,501)	(7,025)
17,006	3,277	Result of interest rate swap designated as hedging instrument	17,006	3,277
(7,610)	(24,969)	Result of other derivatives	(7,610)	(24,969)
5,625	3,653	Result from other trading securities	2,730	557
(19,576)	(28,889)	**Total gain (loss) on operations with debt securities and derivatives financial instruments**	(22,434)	(30,039)

NOTE 10 NET FOREIGN EXCHANGE GAIN (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
59,945	56,651	Gain from foreign exchange trading	60,441	52,708
30,891	45,122	Unrealised translation gain	37,559	47,639
90,836	101,773	**Total net foreign exchange gain**	98,000	100,347

NOTE 11 NET INSURANCE PREMIUM REVENUE (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
93,601	74,135	Premiums written, gross	-	-
(2,552)	(2,222)	Premiums ceded to reinsurers	-	-
(1,186)	(965)	Change in provision for unearned premiums and unexpired risks, gross	-	-
(39)	248	Reinsurers’ share of change in provision for unearned premiums	-	-
89,824	71,196	**Total net insurance premium revenue**	-	-

NOTE 12 GROSS INSURANCE EXPENSES (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
8,676	7,426	Claims incurred, net	-	-
71,126	58,034	Change in other technical provisions	-	-
3,163	3,259	Other insurance expenses		
82,965	68,719	**Total gross insurance expenses**	-	-

NOTE 13 STAFF COSTS (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
130,239	110,110	Salaries and wages	109,961	87,911
40,685	32,463	Social security expenses	34,581	26,589
170,924	142,573	**Total staff costs**	144,542	114,500

The following numbers of full-time personnel were employed by the Group's companies as of 31 December 2007:

AB SEB Bank	1,912
UAB SEB Lizingas	150
UAB SEB Gyvybės Draudimas	77
UAB SEB Investicijų Valdymas	20
UAB SEB Enskilda	10
UAB SEB Venture Capital	2
Total personnel	2,171

Several employees of the Bank are also employed by subsidiary companies. As of 31 December 2006 the Group employed 1,901 employees.

NOTE 14 OTHER ADMINISTRATIVE EXPENSES (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
21,071	22,416	Depreciation of tangible fixed assets	20,371	17,977
30,316	25,506	Rent and maintenance of premises	38,088	31,968
11,497	8,856	Advertising and promotion expenses	9,979	7,286
12,345	12,722	Communication expenses	11,441	10,510
13,423	12,228	Office equipment maintenance	13,077	11,407
2,058	1,544	Other than income taxes	670	188
9,213	8,784	Payments for servicing organizations	8,818	8,395
6,080	6,047	Transport expenses	5,204	4,770
5,653	5,160	Employees training expenses	4,836	4,311
6,058	6,938	Amortisation	5,559	6,224
10,508	7,713	Audit and consulting expenses	10,027	7,305
5,072	6,372	Depreciation of assets under operating lease	-	-
1,999	1,378	Charity and sponsorship	1,988	1,330
-	1,037	Depreciation of investment properties	-	332
-	203	Impairment of foreclosed assets	-	-
1,981	1,391	Insurance of banking operations	1,981	1,391
21,525	14,142	Other expenses	16,894	9,697
158,799	142,437	**Total other administrative expenses**	148,933	123,091

NOTE 15 INCOME TAX (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
91,550	60,595	Current year tax charge	77,394	50,286
(2,196)	(2,961)	Previous years related tax charge	(1,358)	(2,444)
1,735	239	Deferred tax credit	116	(312)
91,089	57,873	**Total income tax charge**	76,152	47,530

NOTE 15 INCOME TAX (LTL 000s) (CONTINUED)

Previous years related tax charge in the year 2007 LTL 2,196 thousand for the Group and LTL 1,358 thousand for the Bank (2006: LTL 2,961 thousand for the Group and LTL 2,444 thousand for the Bank) represents adjustment updating profit tax payable figure estimated at year end.

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

The Group			The Bank	
2007	2006		2007	2006
600,789	346,054	Profit before tax	572,246	333,063
108,142	65,750	Tax calculated at a tax rate of 18% (2006: 19%)	103,004	63,282
-	130	Tax effect relating to applying higher local tax rate than 19% (25% for Ukraine)	-	-
(38,769)	(28,640)	Income not subject for tax	(25,786)	(16,868)
22,917	23,011	Expenses not deductible for tax purposes	292	3,560
(2,196)	(2,961)	Correction of previous period income tax	(1,358)	(2,444)
995	583	Current year tax losses	-	-
91,089	57,873	**Total income tax charge**	76,152	47,530

In the year 2006 the temporary social tax at a rate of 4 percent was introduced for the year 2006 and at a rate of 3 percent for the year 2007. The tax base is the same as for the income tax; therefore the basic tax rate used is 18 percent (2006: 19 percent).

Deferred tax

The Group			The Bank	
2007	2006		2007	2006
2,201	2,767	Assets at 1 January	-	-
(1,366)	(566)	Income statement charge	-	-
835	2,201	**Assets at 31 December**	-	-

The Group			The Bank	
2007	2006		2007	2006
2,412	12,066	Liability at 1 January	2,359	1,941
369	(327)	Income statement charge	116	(312)
(306)	(10,057)	Write-down through business disposals	-	-
(1,430)	730	Recognized in shareholder's equity	(1,430)	730
1,045	2,412	**Liability at 31 December**	1,045	2,359

Deferred income tax was calculated using 15 percent rate.

The Group			The Bank	
2007	2006		2007	2006
		Deferred tax assets		
214	152	Revaluation of securities	-	-
178	254	Amortisation and depreciation	-	-
8	316	Accrued expense	-	-
241	-	Allowances	-	-
194	1,479	Deferred income	-	-
835	2,201	**Deferred tax assets, net**	-	-

NOTE 15 INCOME TAX (LTL 000s) (CONTINUED)

The Group			The Bank	
2007	2006		2007	2006
		Deferred tax liability		
(5,121)	(898)	Revaluation of available for sale securities through income statement	(5,121)	(898)
(1,273)	156	Revaluation of available for sale securities through equity	(1,273)	156
(383)	(112)	Revaluation of trade securities	(383)	(112)
3,364	402	Revaluation of derivatives	3,364	402
6,118	4,895	Amortisation and depreciation	6,118	4,830
(1,660)	(2,031)	Other temporary differences	(1,660)	(2,019)
1,045	2,412	**Deferred tax liability, net**	1,045	2,359

The results of SEB Gyvybės Draudimas indicated that only tax losses will be incurred by SEB Gyvybės Draudimas in the future. Therefore, the deferred income tax assets related to accumulated tax losses are not calculated.

The amount of unused tax losses and their expiry time for the Group is as follows:

The Group			The Bank	
2007	2006		2007	2006
		Unused tax losses		
33,465	33,465	Tax loss, expiry in 2008	-	-
39,714	39,714	Tax loss, expiry in 2009	-	-
59,766	59,766	Tax loss, expiry in 2010	-	-
3,419	3,067	Tax loss, expiry in 2011	-	-
5,525	-	Tax loss, expiry in 2012	-	-
141,889	136,012	**Total unused tax losses**	-	-

All unused tax losses are related to insurance activities.

NOTE 16 EARNINGS PER SHARE

The Group			The Bank	
2007	2006		2007	2006
509,701	288,174	Net profit attributable to the shareholders (LTL 000s)	496,094	285,533
15,441	15,441	Weighted average number of shares (000s)	15,441	15,441
33.01	18.66	**Basic and diluted earnings per share (LTL)**	32.13	18.49

Basic earnings per ordinary share is calculated by dividing net income attributable to equity holders by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by dividing net income by the weighted average number of ordinary shares in issue during the year to assume conversion of all dilutive potential ordinary shares. The Group has no dilutive potential ordinary shares.

NOTE 17 BALANCES WITH THE CENTRAL BANKS (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
668,810	708,258	Obligatory reserves	668,810	708,258
592,659	241,274	Balance available for withdrawal	592,659	241,274
1,261,469	949,532	**Total balances with the Central Banks**	1,261,469	949,532

One third of obligatory reserves and the balance available for withdrawal are non-interest bearing according to Central Bank of Lithuania regulations. Obligatory reserves comprise 6 percent (6 percent in 2006) of average balance of deposits from public of previous month.

NOTE 18 GOVERNMENT SECURITIES – AVAILABLE FOR SALE (LTL 000s)

The Group		The Bank
1,751,730	**At 1 January 2007**	1,751,130
726,434	Additions	726,434
(452,154)	Disposals (sale and redemption)	(452,129)
71,320	Interest income	71,299
(7,439)	Change in revaluation reserve in equity	(7,439)
(29,038)	Recognised result in income statement	(29,038)
2,060,853	**At 31 December 2007**	2,060,257

Vast majority of government securities are debt securities issued by the Government of the Republic of Lithuania for the terms of six months, one year or longer. Effective interest rate of the Bank's portfolio at the end of 2007 was 4.10 percent (2006: 3.91 percent).

NOTE 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
192,653	169,146	Financial assets held for trading	192,653	169,146
402,207	239,840	Financial assets designated at fair value through profit or loss (at initial recognition)	-	-
594,860	408,986	**Total financial assets at fair value through profit and loss**	192,653	169,146

Effective interest rate of the Bank's portfolio at the end of 2007 was 4.77 percent (2006: 3.84 percent).

The Bank's trading portfolio consist of the Government of Lithuania securities amounted to LTL 55,539 thousand (2006: LTL 90,222 thousand), securities of other governments and corporate debt securities amounted to LTL 129,658 thousand (2006: LTL 77,022 thousand), and equity securities amounted to LTL 7,456 thousand (2006: LTL 1,902 thousand).

NOTE 20 DERIVATIVE FINANCIAL INSTRUMENTS (LTL 000s)

The Bank utilises the following derivative instruments for both hedging and non-hedging purposes. Hedging relationship is properly documented. The hedging practices and accounting treatment is described in *Accounting policy* notes.

31 December 2007	**Notional amount**		**Fair values**	
	Purchase	**Sale**	**Assets**	**Liabilities**
Foreign exchange derivatives				
Currency forwards	1,090,126	1,092,518	3,949	3,718
Currency swaps	1,540,513	1,538,472	4,138	5,275
Put options	471	486	-	17
Call options	2,111	2,096	20	8
Interest rate derivatives				
Forward deposit	466,128	-	-	-
Futures	135,004	135,004	2,868	-
Interest rate swaps	1,657,743	1,657,743	15,432	8,804
Interest rate swaps for hedging purposes	1,346,842	1,346,842	-	60,879
Interest rate options	1,035,840	1,035,840	8,652	8,652
Equity derivatives				
Index linked debt securities option	1,055,354	1,055,354	304,254	305,139
Derivative part of index linked deposit	-	-	-	70
Other derivatives				
Commodity options	5,073	5,073	869	869
Total derivatives assets/liabilities	8,335,205	7,869,428	340,182	393,431

31 December 2006	**Notional amount**		**Fair values**	
	Purchase	**Sale**	**Assets**	**Liabilities**
Foreign exchange derivatives				
Currency forwards	168,210	172,800	571	5,737
Currency swaps	443,324	442,244	1,290	236
Call options	1,625	1,625	-	1
Interest rate derivatives				
Forward deposit	2,019,888	-	1,654	2
Futures	89,082	89,082	1,543	-
Interest rate swaps	673,114	673,114	5,901	3,743
Interest rate swaps for hedging purposes	707,479	707,479	-	71,570
Equity derivatives				
Index linked debt securities option	539,380	539,380	106,634	107,815
Derivative part of index linked deposit	-	-	141	-
Total derivatives assets/liabilities	4,642,102	2,625,724	117,734	189,104

The Bank (other Group companies do not enter hedging transactions) hedges a proportion of its existing interest rate risk in available-for-sale debt securities by fair value hedges in the form of interest rate swaps. The net fair value of interest rate swaps at 31 December 2007 was negative and amounted to LTL 60,879 thousand (2006: LTL 71,570).

NOTE 21 LOANS TO CREDIT AND FINANCIAL INSTITUTIONS (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
27,576	21,510	Short-term loans	892,612	542,535
2,678	921	Long-term loans	262,505	394,012
30,254	22,431	**Total loans to credit and financial institutions**	1,155,117	936,547

Whole amount of loans to credit and financial institutions is not secured by any collateral, and whole amount is neither past due nor impaired.

NOTE 22 LOANS TO CUSTOMERS, NET (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
2,760,368	1,929,192	Short-term loans	2,760,368	1,929,196
15,154,738	11,422,423	Long-term loans	15,151,695	11,502,503
17,915,106	13,351,615	**Total loans to customers**	17,912,063	13,431,699
(161,818)	(130,522)	Less impairment losses on loans	(161,818)	(130,522)
17,753,288	13,221,093	**Loans to customers, net**	17,750,245	13,301,177

Table above presents loans to customers split by their terms at the loan origination.

As of 31 December 2007 loan with floating interest rate exceeded 76 percent of Bank's loan portfolio (2006: 78 percent).

NOTE 22 LOANS TO CUSTOMERS, NET (LTL 000s) (CONTINUED)

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for loans granted, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are presented below.

Loans to customers against collateral type as of 31 December 2007 and 2006:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	**Total**
As of 31 December 2007						
Loans secured by mortgage, real property	-	1,834,184	2,417,895	4,595,292	669,103	9,516,474
Loans secured by deposits and securities	-	100,671	145,726	18,568	40,521	305,486
Loans secured by guarantees of government and banks	11,137	53,095	391,722	41	156	456,151
Accounts receivable and debtors	5,241	687,200	1,486,058	2,519	2,366	2,183,384
Inventories and equipment	-	8,142	1,157,094	368	107	1,165,711
Other collateral	5,851	559,209	875,887	484,174	27,058	1,952,179
Unsecured loans	315,387	15,489	1,046,763	211,871	743,168	2,332,678
Total loans to customers	337,616	3,257,990	7,521,145	5,312,833	1,482,479	17,912,063
As of 31 December 2006						
Loans secured by mortgage, real property	-	1,073,265	2,001,588	2,498,866	521,954	6,095,673
Loans secured by deposits and securities	-	64,941	411,652	6,197	39,847	522,637
Loans secured by guarantees of government and banks	-	140,218	708,899	8	285	849,410
Accounts receivable and debtors	3,903	309,574	985,603	749	7,312	1,307,141
Inventories and equipment	-	7,373	1,065,285	198	203	1,073,059
Other collateral	1,857	335,108	805,971	246,012	20,714	1,409,662
Unsecured loans	288,414	305,293	796,492	282,006	501,912	2,174,117
Total loans to customers	294,174	2,235,772	6,775,490	3,034,036	1,092,227	13,431,699

Included in the above amount of loans secured by deposits and securities is reversed repo transactions amounting to LTL 127,001 thousand with securities of value LTL 175,043 thousand (2006: nill), which include almost equally of each: equity, bonds and indexed linked bonds, issued by the Bank.

NOTE 22 LOANS TO CUSTOMERS, NET (LTL 000s) (CONTINUED)

Bank's loans to customers by customer category as of 31 December 2007:

	2007	2006
Neither past due nor impaired:		
Property management	3,213,268	2,226,714
Other corporate	7,352,900	6,584,772
Public	337,616	294,174
Mortgage loans	5,158,983	2,888,338
Other private individuals	1,417,535	1,007,707
Total neither past due nor impaired	17,480,302	13,001,705
Past due but not impaired:		
Property management	44,013	9,007
Other corporate	33,716	65,254
Public	-	-
Mortgage loans	110,016	118,794
Other private individuals	37,803	68,532
Total past due but not impaired	225,548	261,587
Non performing impaired loans:		
Property management	709	51
Other corporate	134,529	125,464
Public	-	-
Mortgage loans	43,834	26,904
Other private individuals	27,141	15,988
Total non performing impaired loans	206,213	168,407
Total loans by customer category:		
Property management	3,257,990	2,235,772
Other corporate	7,521,145	6,775,490
Public	337,616	294,174
Mortgage loans	5,312,833	3,034,036
Other private individuals	1,482,479	1,092,227
Total loans by customer category	17,912,063	13,431,699
Less impairment losses on loans:		
Property management	(495)	(32)
Other corporate	(115,219)	(107,378)
Public	-	-
Mortgage loans	(26,482)	(12,272)
Other private individuals	(19,622)	(10,840)
Total impairment losses on loans by customer category	(161,818)	(130,522)
Loans to customers, net	17,750,245	13,301,177

NOTE 22 LOANS TO CUSTOMERS, NET (LTL 000s) (CONTINUED)

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

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	**Total**
As of 31 December 2007						
4 – 7 risk classes	256,009	49,452	222,138	-	-	527,599
8 risk class	80,353	210,169	1,399,786	-	-	1,690,308
9 risk class	1,254	711,816	2,014,604	-	-	2,727,674
10 risk class	-	2,115,735	2,422,678	-	35,968	4,574,381
11 risk class	-	88,260	812,065	-	68,944	969,269
12 risk class	-	8,605	55,743	-	19,739	84,087
13 – 15 risk class	-	-	4,874	-	34,549	39,423
Homogeneous credits groups	-	29,231	421,012	5,158,983	1,258,335	6,867,561
Total neither past due nor impaired	337,616	3,213,268	7,352,900	5,158,983	1,417,535	17,480,302
As of 31 December 2006						
4 – 7 risk classes	199,714	231,352	182,794	-	-	613,860
8 risk class	78,727	10,532	1,344,883	-	-	1,434,142
9 risk class	14,433	472,804	1,445,966	-	-	1,933,203
10 risk class	870	1,362,047	2,321,166	145,985	195,317	4,025,385
11 risk class	-	144,329	1,062,813	386,017	434,701	2,027,860
12 risk class	-	979	77,625	9,760	6,861	95,225
13 – 15 risk class	-	-	6,337	1,994	690	9,021
Homogeneous credits groups	430	4,671	143,188	2,344,582	370,138	2,863,009
Total neither past due nor impaired	294,174	2,226,714	6,584,772	2,888,338	1,007,707	13,001,705

The Group's loans differ from the Bank's loans to customers by loans granted by venture capital subsidiary. These loans as of 31 December 2007 amounted to LTL 3,043 thousand (2006: LTL 11,517 thousand). The loans granted by venture capital subsidiary are classified as neither past due nor impaired loans granted to other corporate and these are not secured.

There are the following homogeneous groups used by the Group: mortgage loans, consumer loans, small corporate loans and credit cards). Loans to private individuals (consumer and mortgage backed loans) and small corporate are assessed using scoring methods at the moment loan is granted. Afterwards they are monitored according to their overdue status. Therefore, for credit risk management purposes, loans to private individuals neither past due nor impaired are viewed as standard loans. In 2006 private individuals were included in collective assessment considering determined limits – LTL 400 thousand for mortgage backed loans and LTL 40 thousand for consumer loans and credit card exposures. In 2007 the mentioned limits were cancelled, therefore all mortgage backed, consumer and credit card loans granted to private individuals as of 31 December 2007 were assessed in homogeneous credit groups.

Loans to customers past due but not impaired and fair value of collateral as of 31 December 2007:

	Property management	Other corporate	Mortgage loans	Other private individuals	**Total**
As of 31 December 2007					
Loans past due but not impaired:					
past due up to 30 days	39,467	13,852	86,521	23,346	163,186
past due over 30 days	4,546	19,864	23,495	14,457	62,362
Total past due but not impaired	44,013	33,716	110,016	37,803	225,548
Fair value of collateral pledged	79,589	128,739	180,779	40,298	429,405
As of 31 December 2006					
Loans past due but not impaired:					
past due up to 30 days	5,404	58,563	83,732	40,222	187,921
past due over 30 days	3,603	6,691	35,062	28,310	73,666
Total past due but not impaired	9,007	65,254	118,794	68,532	261,587
Fair value of collateral pledged	10,419	164,695	190,480	82,768	448,362

NOTE 22 LOANS TO CUSTOMERS, NET (LTL 000s) (CONTINUED)

Loans to customers non-performing impaired and fair value of collateral as of 31 December 2007:

	Property management	Other corporate	Mortgage loans	Other private individuals	**Total**
31 December 2007					
Non-performing impaired loans	709	134,529	43,834	27,141	206,213
Fair value of collateral pledged	1,710	456,819	71,783	13,860	544,172
31 December 2006					
Non-performing impaired loans	51	125,464	26,904	15,988	168,407
Fair value of collateral pledged	518	376,240	49,884	298	426,940

NOTE 23 LOANS BY INDUSTRIES, NET (LTL 000s)

The Group			The Bank	
2007	**2006**		**2007**	**2006**
18,554	17,478	Banks	18,554	17,478
11,700	4,953	Other financial intermediaries	1,136,563	919,069
30,254	22,431	**Loans to credit and financial institutions, net**	1,155,117	936,547
2,460,050	2,126,208	Trade and wholesale distribution	2,460,050	2,117,170
2,838,735	2,666,815	Processing industry	2,838,735	2,666,815
3,257,990	2,143,330	Real estate	3,257,990	2,234,928
333,997	329,574	Utilities	333,997	329,574
795,746	749,217	Construction	795,746	749,217
418,553	403,341	Transportation and telecommunication	418,553	403,341
360,691	316,137	Governmental and municipal services	360,691	316,137
144,048	148,011	Agriculture, hunting, forestry	144,048	148,011
187,478	140,792	Hotels and restaurants	187,478	140,792
4,221	4,735	Education	4,221	4,735
3,110	4,162	Exploitation and mining	3,110	4,162
35,385	8,799	Health care	35,385	8,799
279,790	207,343	Other industries	276,747	204,867
6,795,312	4,103,151	Other non-industrial customers	6,795,312	4,103,151
17,915,106	13,351,615	Total loans to customers	17,912,063	13,431,699
(161,818)	(130,522)	Less impairment losses on loans to customers	(161,818)	(130,522)
17,753,288	13,221,093	**Loans to customers, net**	17,750,245	13,301,177

NOTE 24 FINANCE LEASE RECEIVABLE, NET (LTL 000s)

The Group			The Bank	
2007	**2006**		**2007**	**2006**
		Gross finance lease receivable		
1,343,631	896,993	-Falling due within one year	-	-
2,637,033	1,761,119	-Falling due from one to five years	-	-
619,087	412,987	-Falling due after five years	-	-
4,599,751	3,071,099	**Total gross finance lease receivable**	-	-
		Unearned finance income		
(208,922)	(117,554)	-Falling due within one year	-	-
(361,167)	(194,811)	-Falling due from one to five years	-	-
(88,074)	(45,117)	-Falling due after five years	-	-
(658,163)	(357,482)	**Total unearned finance income**	-	-
(13,450)	(6,949)	Less impairment losses on finance lease receivable	-	-
3,928,138	2,706,668	**Total finance lease receivable, net**	-	-

As of 31 December 2007 unguaranteed residual values amounted to LTL 7,445 thousand (2006: LTL 1,453 thousand).

As of 31 December 2007 finance lease contracts with floating interest rate reached 86.8 percent of leasing portfolio (2006: 91 percent).

NOTE 24 FINANCE LEASE RECEIVABLE, NET (LTL 000s) (CONTINUED)

Finance lease receivable by customer category as of 31 December 2007:

The Group			The Bank	
2007	2006		2007	2006
		Neither past due nor impaired:		
3,427,135	2,361,971	Corporate	-	-
134,511	90,718	Private individuals	-	-
104,823	94,671	Other	-	-
3,666,469	2,547,360	**Total neither past due nor impaired**	-	-
		Past due but not impaired:		
250,800	148,178	Corporate	-	-
13,739	11,277	Private individuals	-	-
917	203	Other	-	-
265,456	159,658	**Total past due but not impaired**	-	-
		Non performing impaired finance lease receivable:		
8,597	5,960	Corporate	-	-
1,066	233	Private individuals	-	-
-	-	Other	-	-
9,663	6,193	**Total non performing impaired finance lease receivable**	-	-
		Performing impaired finance lease receivable:		
-	406	Corporate	-	-
-	-	Private individuals	-	-
-	-	Other	-	-
-	406	**Performing impaired finance lease receivable**	-	-
		Total finance lease receivable by customer category:		
3,686,532	2,516,515	Corporate	-	-
149,316	102,228	Private individuals	-	-
105,740	94,874	Other	-	-
3,941,588	2,713,617	**Total finance lease receivable by customer category**	-	-
		Less impairment losses on finance lease receivable:		
(12,427)	(6,347)	Corporate	-	-
(1,023)	(602)	Private individuals	-	-
-	-	Other	-	-
(13,450)	(6,949)	**Total impairment losses on finance lease receivable by customer category**	-	-
3,928,138	2,706,668	**Finance lease receivable, net**	-	-

NOTE 24 FINANCE LEASE RECEIVABLE, NET (LTL 000s) (CONTINUED)

The credit quality of the finance lease receivable portfolio that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

	Corporate	Private individuals	Other	**Total**
As of 31 December 2007				
4 – 7 risk classes	5,696	-	17,554	23,250
8 risk class	179,409	-	1,223	180,632
9 risk class	532,523	-	26,648	559,171
10 risk class	1,571,018	2,756	47,673	1,621,447
11 risk class	1,070,927	3,261	10,345	1,084,533
12 risk class	50,988	1,975	1,317	54,280
13-15 risk class	16,574	638	63	17,275
Private customers groups	-	125,881	-	125,881
Total neither past due nor impaired	3,427,135	134,511	104,823	3,666,469
As of 31 December 2006				
4 – 7 risk classes	2,041	-	12,727	14,768
8 risk class	164,668	-	591	165,259
9 risk class	377,119	-	19,870	396,989
10 risk class	984,868	7,123	53,719	1,045,710
11 risk class	722,911	406	6,696	730,013
12 risk class	70,555	4,119	1,068	75,742
13-15 risk class	39,809	3,751	-	43,560
Private customers groups	-	75,319	-	75,319
Total neither past due nor impaired	2,361,971	90,718	94,671	2,547,360

Finance lease receivable past due but not impaired and fair value of collateral as of 31 December 2007:

	Corporate	Private	Other	**Total**
As of 31 December 2007				
Finance lease receivable past due but not impaired				
past due up to 30 days	143,968	6,273	630	150,871
past due over 30 days	106,832	7,466	287	114,585
Total past due but not impaired	250,800	13,739	917	265,456
Fair value of collateral pledged	278,803	14,658	917	294,378
As of 31 December 2006				
Finance lease receivable past due but not impaired				
past due up to 30 days	91,376	7,781	169	99,326
past due over 30 days	56,802	3,496	34	60,332
Total past due but not impaired	148,178	11,277	203	159,658
Fair value of collateral pledged	162,391	12,307	203	174,901

The management believes that net finance lease receivable amount is the best conservative estimate of collateral for the finance lease receivable as the leasing subsidiary is entitled to the assets leased.

Finance leases receivable amounts non-performing impaired and fair value of collateral as of 31 December 2007:

	Corporate	Private	Other	**Total**
31 December 2007				
Non-performing impaired loans	8,597	1,066	-	9,663
Fair value of collateral pledged	4,104	892	-	4,996
31 December 2006				
Non-performing impaired loans	5,960	233	-	6,193
Fair value of collateral pledged	1,781	64	-	1,845

NOTE 24 FINANCE LEASE RECEIVABLE, NET (LTL 000s) (CONTINUED)

Finance lease receivable concentration exposure by type of collateralised leased assets per financial class category is presented in the table below:

	Corporate	Private	Other	**Total**
As of 31 December 2007				
Trucks and other vehicles	1,448,941	963	14,540	1,464,444
Real estate	920,672	13,390	33,929	967,991
Cars and mini-vans	581,431	133,431	49,648	764,510
Manufacturing equipment	391,462	130	321	391,913
Shop equipment	25,359	33	92	25,484
Construction equipment	196,007	297	-	196,304
Agricultural equipment	42,434	862	48	43,344
Office equipment	24,904	27	4,948	29,879
Medical equipment	7,105	36	2,177	9,318
Railway wagons and containers	10,946	-	-	10,946
Water transport means	12,062	-	-	12,062
Other assets	25,209	147	37	25,393
Total finance lease receivable by type of collateral	3,686,532	149,316	105,740	3,941,588
As of 31 December 2006				
Trucks and other vehicles	854,971	404	17,634	873,009
Real estate	669,400	-	53,100	722,500
Cars and mini-vans	423,105	100,234	18,253	541,592
Manufacturing equipment	343,123	131	-	343,254
Shop equipment	21,751	-	73	21,824
Construction equipment	102,702	79	-	102,781
Agricultural equipment	26,939	1,204	90	28,233
Office equipment	18,583	34	4,049	22,666
Medical equipment	7,814	14	1,606	9,434
Railway wagons and containers	3,429	-	-	3,429
Water transport means	1,702	-	-	1,702
Other assets	42,996	128	69	43,193
Total finance lease receivable by type of collateral	2,516,515	102,228	94,874	2,713,617

NOTE 25 INVESTMENT SECURITIES (LTL 000s)

The breakdown of the investment securities – available for sale may be summarised as follows:

The Group			**The Bank**	
2007	**2006**		**2007**	**2006**
		Securities available for sale:		
17,149	19,971	AB Teo	17,149	19,971
12,000	-	UAB Viginta	-	-
1,977	1,101	Mastercard Class	1,977	1,101
1,700	2,141	AB Malsena	-	-
582	1,271	AB Pieno Žvaigždės Bonds	582	1,271
1,000	1,000	UAB Sostinių Golfas	-	-
-	2,125	UAB Mestilla	-	-
113	132,069	SEB Bonds	113	132,069
262	-	AB Rokiskio Suris	262	-
200	-	AB Panevezio Energija	200	-
7,118	-	AB Apranga	7,118	-
305	647	Other securities available for sale	-	489
42,406	160,325	**Total securities held for investment purposes**	27,401	154,901

NOTE 25 INVESTMENT SECURITIES (LTL 000s) (CONTINUED)

The movement in investment securities for 2007 may be summarised as follows:

The Group			The Bank	
Available-for-sale	**Held to maturity**		**Available-for-sale**	**Held to maturity**
160,325	13,941	**At 1 January 2007**	154,901	13,941
(14,542)	(1,448)	Foreign exchange differences on monetary assets	(14,542)	(1,448)
844,019	-	Additions	832,019	-
(958,866)	-	Disposals (sale and redemption)	(956,300)	-
13,331	-	Interest income	13,331	-
(2,024)	-	Change in revaluation reserve in equity	(2,010)	-
163	-	Recognised result in income statement	2	-
42,406	12,493	**At 31 December 2007**	27,401	12,493

Effective interest rate of the Group's and Bank's portfolio at the end of 2007 was 5.91 percent (2006: 5.40 percent).

NOTE 26 INVESTMENTS IN SUBSIDIARIES (LTL 000s)

The Group			The Bank	
2007	**2006**		**2007**	**2006**
		Securities accounted for under cost method:		
-	-	UAB SEB Lizingas	10,000	10,000
-	-	UAB SEB Venture Capital	25,000	25,000
-	-	UAB SEB VB Nekilnojamasis Turtas	-	25,703
-	-	UAB SEB Gyvybės Draudimas	10,325	10,325
-	-	UAB SEB Enskilda	3,716	8,280
-	-	UAB SEB Investicijų Valdymas	9,900	9,900
-	-	**Total investments in subsidiaries**	58,941	89,208

UAB SEB Lizingas is engaged in the leasing activities. The Bank owns 100 percent of the shares of UAB SEB Lizingas, which is consolidated in the Bank's financial statements. During 2006 the Bank reduced share capital of the subsidiary by LTL 18,501 thousand to LTL 10,000 thousand.

UAB SEB Venture Capital is a fully owned subsidiary involved in venture capital activities. Financial statements of UAB SEB Venture Capital for the year ended 31 December 2007 are consolidated in these financial statements.

UAB SEB Gyvybės Draudimas is a fully owned subsidiary of the Bank and is engaged in provision of life insurance services. Financial statements of UAB SEB Gyvybės Draudimas for the year ended 31 December 2007 are consolidated in these financial statements.

UAB SEB Enskilda is engaged in provision of corporate finance services. It is fully owned subsidiary of the Bank. Financial statements of UAB SEB Enskilda for the year ended 31 December 2007 are consolidated in these financial statements. During 2007 the Bank reduced share capital of the subsidiary to LTL 2,550 thousand.

UAB SEB Investicijų Valdymas is a fully owned subsidiary of the Bank, engaged in provision of investments' management services. Financial statements of this entity are consolidated in these financial statements.

On 29 June 2006 Central bank of Lithuania cancelled banking licence of Bank's subsidiary AB SEB VB Būsto bankas. The subsidiary was engaged in mortgage loans activities. The subsidiary was liquidated in January 2007.

The audited financial statements of subsidiaries are available at the Bank and the respective subsidiary.

In March 2007 UAB SEB Enskilda sold its subsidiaries in Latvia and Estonia. Total assets at sales moment amounted to LTL 803 thousand for subsidiary in Latvia and LTL 89 thousand for subsidiary in Estonia. Total liabilities amounted to respectively LTL 341 thousand and LTL 37 thousand. Disposal consideration received for both subsidiaries amounted to LTL 508 thousand. Net loss on these transactions amounted to LTL 5 thousand.

NOTE 26 INVESTMENTS IN SUBSIDIARIES (LTL 000s) (CONTINUED)

In December 2007 Bank sold UAB SEB VB Nekilnojamas Turtas shares and non-current assets held for disposal, that represented by real estate portfolio. The details of the result of the Bank's and the Group's gain on subsidiary disposal is as follows:

Cash consideration received by the Bank for shares	81,224
Shares of the subsidiary at the Bank's balance sheet	(25,703)
Net gain on subsidiary disposal	55,521
The subsidiary reserves de-recognition	(8,368)
Profit on disposal of subsidiary recognised in the Group's income statement	47,153

The details of the book value of the assets and liabilities disposed were as follows (LTL 000's):

Cash and cash equivalents	469
Real estate	115,630
Other assets	3,578
Amounts borrowed from credit and financial institutions	(86,731)
Other liabilities	(1,283)
Total disposal consideration received (discharged by cash)	81,224
Disposal consideration	81,224
Less: Cash and cash equivalents in subsidiary disposed	(469)
Cash inflow on disposal	80,755

In autumn 2006 Bank sold SEB Bank, Ukraine shares. The details of the book value of the assets and liabilities disposed were as follows (LTL 000's):

Cash and cash equivalents	18,700
Loans and advances to customers	217,789
Due from banks and loans to credit and financial institutions	19,680
Investments in securities	27,348
Fixed assets tangible and intangible	50,922
Other assets	39,971
Deposits from public	(188,602)
Amounts borrowed from credit and financial institutions	(111,827)
Other liabilities	(3,071)
Total disposal consideration received (discharged by cash)	80,752
Disposal consideration	80,752
Less: Cash and cash equivalents in subsidiary disposed	(18,700)
Cash inflow on disposal	62,052

During SEB Bank, Ukraine acquisition, the Bank made payments amounted to LTL 1,405 thousand to its subsidiary UAB SEB Enskilda for advisory during business combination. The amount was included in business acquisition costs and used for goodwill calculation. During 2006 disposal of SEB Bank, Ukraine (previously *Agio*) shares the amount was realised.

During 2007 the Bank also received LTL 28,486 thousand from liquidation of AB SEB VB Būsto Bankas – LTL 20,000 thousand from share capital and LTL 8,486 thousand from total reserves and retained earnings.

NOTE 27 INTANGIBLE FIXED ASSETS (LTL 000s)

The Group				The Bank		
Goodwill	Software and other intangible fixed assets	Total intangible fixed assets		Goodwill	Software and other intangible fixed assets	Total intangible fixed assets
			Cost			
197,476	50,717	248,193	31 December 2005	169,550	46,604	216,154
-	8,324	8,324	Additions	-	7,783	7,783
(27,926)	(1,290)	(29,216)	Disposals through business disposal	-	-	-
-	(553)	(553)	Disposals	-	(490)	(490)
169,550	57,198	226,748	31 December 2006	169,550	53,897	223,447
			Accumulated amortisation			
-	36,984	36,984	31 December 2005	-	34,331	34,331
-	6,937	6,937	Charge for the year	-	6,225	6,225
-	(1,370)	(1,370)	Amortisation of disposals	-	(490)	(490)
-	42,551	42,551	31 December 2006	-	40,066	40,066
			Cost			
-	6,818	6,818	Additions	-	6,574	6,574
-	(1,845)	(1,845)	Disposals	-	(1,815)	(1,815)
169,550	62,171	231,721	31 December 2007	169,550	58,656	228,206
			Accumulated amortisation			
-	6,058	6,058	Charge for the year	-	5,559	5,559
-	(1,835)	(1,835)	Amortisation of disposals	-	(1,815)	(1,815)
-	46,774	46,774	31 December 2007	-	43,810	43,810
			Net book value			
169,550	14,647	184,197	**31 December 2006**	169,550	13,831	183,381
169,550	15,397	184,947	**31 December 2007**	169,550	14,846	184,396

Goodwill is allocated to the Group's cash-generating units identified according to country of operation. When testing for impairment, the recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on most recent financial forecasts approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below.

Key assumptions used for value-in-use calculations to test the recoverability of goodwill: management projections for following three years approximately 21 percent and sustainable growth rate 2 percent; discount rate used – 9 percent.

Management determined budgeted profit based on past its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

No impairment was recognised on goodwill as at 31 December 2007 (2006: nill).

NOTE 28 TANGIBLE FIXED ASSETS (LTL 000s)

	The Bank			
	Buildings and other real estate	**Computer equipment**	**Office equipment and other**	**Total tangible fixed assets**
Cost				
31 December 2005	60,730	101,055	41,844	203,629
Additions	5,640	11,354	11,487	28,481
Disposals and reclassifications	(54,234)	(3,835)	(2,466)	(60,535)
31 December 2006	12,136	108,574	50,865	171,575
Accumulated depreciation				
31 December 2005	7,805	75,186	26,965	109,956
Charge for the year	857	11,677	5,443	17,977
Depreciation of disposals and reclassifications	(7,096)	(3,820)	(2,401)	(13,317)
31 December 2006	1,566	83,043	30,007	114,616
Cost				
Additions	1,591	11,139	9,193	21,923
Disposals and reclassifications	(135)	(6,132)	(4,461)	(10,728)
31 December 2007	13,592	113,581	55,597	182,770
Accumulated depreciation				
Charge for the year	974	12,413	6,984	20,371
Depreciation of disposals and reclassifications	(7)	(6,070)	(4,276)	(10,353)
31 December 2007	2,533	89,386	32,715	124,634
Net book value				
31 December 2006	10,570	25,531	20,858	56,959
31 December 2007	11,059	24,195	22,882	58,136

NOTE 28 TANGIBLE FIXED ASSETS (LTL 000s) (CONTINUED)

	The Group			
	Buildings and other real estate	**Computer equipment**	**Office equipment and other**	**Total tangible fixed assets**
Cost				
31 December 2005	227,181	104,660	48,064	379,905
Additions	8,890	11,783	13,227	33,900
Disposals through business disposal	(51,162)	(1,689)	(5,562)	(58,413)
Disposals and reclassifications	(172,773)	(4,441)	(3,267)	(180,481)
31 December 2006	12,136	110,313	52,462	174,911
Accumulated depreciation				
31 December 2005	14,633	76,443	29,030	120,106
Charge for the year	3,177	12,441	6,800	22,418
Depreciation of disposals	(16,244)	(4,782)	(5,040)	(26,066)
31 December 2006	1,566	84,102	30,790	116,458
Cost				
Additions	17,779	11,509	10,464	39,752
Disposals and reclassifications	(135)	(6,334)	(5,265)	(11,734)
31 December 2007	29,780	115,488	57,661	202,929
Accumulated depreciation				
Charge for the year	974	12,795	7,302	21,071
Depreciation of disposals	(7)	(6,232)	(4,704)	(10,943)
31 December 2007	2,533	90,665	33,388	126,586
Net book value				
31 December 2006	10,570	26,211	21,672	58,453
31 December 2007	27,247	24,823	24,273	76,343

NOTE 29 ASSETS UNDER OPERATING LEASE (LTL 000s)

Movement of assets under operating lease during 2007 is provided below:

	The Group		
	Vehicles	**Office equipment and other**	**Total assets under operating lease**
Cost			
31 December 2006	21,689	5,850	27,539
Additions	7,580	-	7,580
Disposals	(7,899)	(1,358)	(9,257)
Transfer to (from) leasing portfolio	(2,413)	(4,060)	(6,473)
31 December 2007	18,957	432	19,389
Accumulated depreciation			
31 December 2006	8,448	3,088	11,536
Charge for the year	3,848	1,224	5,072
Depreciation of disposals	(4,557)	(1,052)	(5,609)
Depreciation of transfers to/from leasing portfolio	(845)	(2,971)	(3,816)
31 December 2007	6,894	289	7,183
Impairment			
31 December 2006	57	995	1,052
Impairment charge	-	(995)	(995)
31 December 2007	57	-	57
Net book value			
31 December 2006	13,184	1,767	14,951
31 December 2007	12,006	143	12,149

NOTE 30 NON CURRENT ASSETS HELD FOR DISPOSAL (LTL 000s)

During 2006 the SEB management decided to sell all real estate held by the Group and therefore all real estate from 'Investment property' and 'Tangible fixed assets' captures was transferred to non-current assets held for sale category. As of 31 December 2006 the Bank's non-current assets held for sale amounted LTL 35,632 thousand, leasing company's – LTL 19,336 thousand and real estate company's – LTL 119,932 thousand. For detail information on sale of real estate subsidiary and real estate attributable to that subsidiary see note 26.

The details of the result of the Bank's and the Group's gain on sale of real estate is as follows:

Cash consideration received by the Bank for real estate	71,291
Non-current asset held for disposal at the Bank's balance sheet	(37,383)
Direct expenses	(9,530)
Profit recognised in the Bank's income statement for non-current assets held for disposal	24,378
Cash consideration received by the leasing subsidiary for real estate	40,615
Non-current asset held for disposal at the leasing subsidiary's balance sheet	(19,368)
Less VAT payable	(6,195)
Profit recognised in the Group's income statement for leasing subsidiary's non-current assets held for disposal	15,052
Profit recognised in the Group's income statement for non-current assets held for disposal	39,430

NOTE 31 OTHER ASSETS, NET (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
		Financial other assets		
69,460	63,532	Cash withdrawn from cards accounts	69,460	63,532
52,059	24,661	Advances paid for assets to be leased	-	-
18,472	22,320	Amounts receivable for cash exported	18,472	22,320
16,595	13,415	Amounts of executed bank transfers not yet withdrawn from customers' accounts	16,595	13,415
13,899	3,995	Amounts outstanding for clearance	13,899	3,995
17,416	14,438	Accrued income	8,846	1,606
369	-	Current lease receivable	-	-
91	1,271	Accounts receivable for assets sold	677	2,442
188,361	143,632	Total financial other assets	127,949	107,310
		Non financial other assets		
24,433	16,671	Assets not yet leased	-	-
12,041	10,062	Deferred expenses	11,701	9,584
5,402	3,163	Deferred insurance acquisition costs	-	-
2,536	3,040	Assets taken back from lessees	-	-
584	1,548	Prepaid taxes	371	479
-	323	Assets taken over for bad loans	-	323
18,405	19,366	Other assets, net of impairment allowances	15,064	11,739
63,401	54,173	Total non financial other assets	27,136	22,125
251,762	197,805	**Total other assets, net**	155,085	129,435

NOTE 32 AMOUNTS OWED TO CREDIT AND FINANCIAL INSTITUTIONS (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
1,627,208	3,242,300	Falling due within one year	1,562,519	3,191,046
10,918,561	4,705,518	Falling due after one year	8,259,904	3,013,646
12,545,769	7,947,818	**Total amounts owed to credit and financial institutions**	9,822,423	6,204,692

As of 31 December 2007 the Group has pledged own issued securities amounting to LTL 169 million (2006: LTL 2 million) as security in borrowings transactions and LTL 99 thousand (2006: nill) equity securities investments.

As of 31 December 2007 and 2006 interest rates on amounts owed to credit and financial institutions by the Bank varied from 0.25 percent to 12 percent and from 0.2 to 12 percent respectively.

NOTE 33 DEPOSITS FROM THE PUBLIC (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
6,980,941	6,837,941	Current and demand deposits	6,995,504	6,852,626
3,752,878	2,690,523	Term deposits falling due within one year	3,752,878	2,690,523
74,276	109,608	Term deposits falling due after one year	74,276	109,608
10,808,095	9,638,072	**Total deposits from the public**	10,822,658	9,652,757

The Group			The Bank	
2007	2006		2007	2006
5,787,374	4,624,966	Corporate customers' deposits and accounts	5,787,374	4,639,651
5,020,721	5,013,106	Individual customers' deposits and accounts	5,035,284	5,013,106
10,808,095	9,638,072	**Total deposits from the public**	10,822,658	9,652,757

According to current requirement of Deposit Insurance Fund all banks in Lithuania have to make annual deposit insurance fund payments of 0.45 percent for deposits of private individuals and corporate customers nominated in LTL, USD, EUR and other EU countries' currencies.

NOTE 34 LIABILITIES IN LIFE INSURANCE OPERATIONS (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
252,793	180,972	Long-term life insurance contract provisions	-	-
1,424	606	Claims outstanding for short-term non-life insurance contracts	-	-
4,150	2,957	Unearned premiums for short-term non-life insurance contracts	-	-
258,367	184,535	**Total liabilities in life insurance operations**	-	-

Change in provisions through income statement during the year 2007 amounted LTL 71,126 thousand (2006: LTL 58,034 thousand).

NOTE 35 SUBORDINATED LOANS (LTL 000s)

The Group			Interest rate %	The Bank	
2007	2006			2007	2006
51,824	51,812	EUR 15 m subordinated loan due 2013	EURIBOR+0.8%	51,824	51,812
86,566	86,518	EUR 25 m subordinated loan due 2015	EURIBOR+0.8%	86,566	86,518
139,500	139,262	EUR 40 m subordinated loan due 2016	EURIBOR+0.8%	139,500	139,262
69,261	69,221	EUR 20 m subordinated loan due 2016	EURIBOR+0.75%	69,261	69,221
147,184	146,849	EUR 42 m subordinated loan due 2016	EURIBOR+0.75%	147,184	146,849
159,673	-	EUR 45 m subordinated loan due 2017	EURIBOR+0.75%	159,673	-
654,008	493,662	**Total subordinated loans**		654,008	493,662

The subordinated loans received from the parent bank. No specific covenants are included in the agreements.

NOTE 36 DEBT SECURITIES IN ISSUE (LTL 000s)

The Group			Interest rate %		The Bank	
2007	2006		2007	2006	2007	2006
		Debt securities in issue:				
-	19,228	2 years index linked debt securities due 2007	-	-	-	19,228
		Debt securities issued in 2005:				
72,699	76,190	3 years debt securities due 2008	3.1	3.1	72,802	81,481
66,333	63,520	3 years index linked debt securities due 2008	-	-	67,580	64,450
-	16,571	2 years index linked debt securities due 2007	-	-	-	16,571
-	48,109	2 year debt securities due 2007	-	3.0	-	50,473
		Debt securities issued in 2006:				
-	188,816	Up to 1 year debt securities due 2007	-	3.0	-	188,816
-	217,312	1 month debt securities due 2007	-	5.12-5.15	-	217,312
80,195	77,668	index linked debt securities due 2008	-	-	80,195	77,668
154,517	154,469	index linked debt securities due 2009	-	-	154,517	154,469
31,624	28,030	index linked debt securities due 2010	-	-	31,624	28,030
5,238	5,032	index linked debt securities due 2011	-	-	5,238	5,032
		Debt securities issued in 2007:				
15,238	-	2 year debt securities due 2008	4.8	-	15,238	-
24,040	-	2 year debt securities due 2008	5.25	-	24,040	-
711	-	3 year debt securities due 2009	4.0	-	711	-
31,719	-	index linked debt securities due 2009	-	-	31,719	-
342,033	-	index linked debt securities due 2010	-	-	342,033	-
48,900	-	index linked debt securities due 2011	-	-	49,745	-
873,247	894,945	**Total debt securities in issue**			875,442	903,530

Financial instrument (equity, commodity) linked securities include the host zero coupon instrument issued for the customer. Effective interest rate on the Group's and Bank's financial instrument linked debt securities at the end of 2007 was 4.88 percent (2006: 3.74 percent).

NOTE 37 OTHER LIABILITIES AND PROVISIONS (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
		Other financial liabilities		
35,345	67,329	Amounts outstanding for clearance	35,345	67,329
43,034	28,658	Amounts payable for assets purchased for lease	-	-
12,642	9,380	Vacation reserve accrual	11,070	8,240
2,695	1,620	Provisions for off balance sheet items	2,695	1,620
754	1,253	Name cheques sold	754	1,253
94,470	108,240	Total other financial liabilities	49,864	78,442
		Non financial liabilities		
27,512	-	Accrued taxes	15,406	-
37,690	19,509	Prepayments for finance and operating lease	-	-
19,977	33,008	Other liabilities	15,075	30,194
85,179	52,517	Total other non financial liabilities	30,481	30,194
179,649	160,757	**Total other liabilities and provisions**	80,345	108,636

Provisions for off balance sheet items have been made in respect of costs arising from contingent liabilities and contractual commitments, including guarantees and credit commitments. Change in the provisions reflected in income statement.

NOTE 38 SHAREHOLDERS' EQUITY

Share capital of the Bank consists of 15,441,423 ordinary shares with par value LTL 67 each (2006: LTL 67). All issued shares are fully paid. Reserve capital, which as of 31 December 2007 amounted to LTL 2,200 thousand (2006: LTL 2,200 thousand) for the Bank and LTL 104 thousand (2006: LTL 104 thousand) for the Group in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses or used for the increase of share capital. During the end of 2006, shareholders decided to use the reserve capital and share premium to increase nominal value of ordinary shares.

In December 2006 SEB started squeeze-out process in order to purchase the outstanding shares in the bank for the price of LTL 266.95 per share, the price been approved by Securities commission in November 2006. So far this process has not been completed.

Legal reserve, which as of 31 December 2007 amounted to LTL 31,348 thousand (2006: LTL 11,888 thousand) for the Bank and LTL 35,215 thousand (2006: LTL 15,560 thousand) for the Group, in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses.

Financial assets revaluation reserve represents available for sale securities revaluation gain. The financial assets reserve movement in 2007 amount consists of the following:

	The Group	The Bank
Government securities – change in revaluation reserve (note 18)	(7,439)	(7,439)
Investment securities – change in revaluation reserve (note 25)	(2,024)	(2,010)
Tax recognised in equity (note 15)	1,430	1,430
Net change in available for sale investments, net of deferred tax	(8,033)	(8,019)

General and other reserves represent general reserve for possible losses, amounting to LTL 9,338 thousand, which can only be offset with the current losses.

After disposal of *SEB* bank in Ukraine, reserve capital amounted to LTL 624 thousand accumulated during the period of ownership, was transferred to retained earnings. After liquidation of AB SEB VB Būsto Bankas, reserve capital amounted to LTL 6,533 thousand and legal reserve amounted to LTL 290 thousand were transferred to retained earnings.

As of 31 December 2007 the major shareholders were as follows:

Name of shareholder	Number of shares held	Percentage in total
Skandinaviska Enskilda Banken (SEB)	15,395,418	99.70%
Other	46,005	0.30%
Total	15,441,423	100.00%

NOTE 39 ASSETS UNDER MANAGEMENT (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
18,877	81,449	Private individuals and corporate customers' assets under management	-	-
25,621	2,968	Pillar two equity pension fund (SEB Pension 3)	-	-
415,279	227,082	Pillar two balanced pension fund (SEB Pension 2)	-	-
102,651	64,016	Pillar two conservative pension fund (SEB Pension 1)	-	-
14,078	15,835	Conservative voluntary pension fund (SEB Pension 1 Plus)	-	-
56,404	38,738	Balanced voluntary pension fund (SEB Pension 2 Plus)	-	-
141,823	222,878	CIS equity fund	-	-
45,657	26,592	CIS bond fund	-	-
124,327	49,719	World market fund of funds	-	-
75,941	11,263	SEB equity fund of funds	-	-
1,020,658	740,540	**Total assets under management**	-	-

All assets management services are performed by UAB SEB Investicijų Valdymas. During 2007 the management fee for funds management amounted to LTL 8,517 thousand (2006: LTL 5,728 thousand) and it is included in 'Other income, net' line in the income statement. During 2006 new equity fund and one pillar two pension fund were established. Two pillar two pension funds were established in 2003, first payments into the funds being made in the second quarter of 2004. Two voluntary pension funds were established in 2004. Three investments funds were established in May of 2005.

NOTE 40 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY (LTL 000s)

The relationship between the maturity of assets and liabilities is indicative of liquidity risk and the extent to which it may be necessary to raise funds to meet outstanding obligations. The table below allocates assets and liabilities to maturity groups based on the time remaining from the balance sheet date to the contractual maturity or actual maturity, if known earlier. The Bank's liquidity analysis as of 31 December 2007:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Assets							
Cash in hand	460,494	-	-	-	-	-	460,494
Balances with the Central Banks	1,261,469	-	-	-	-	-	1,261,469
Government securities – available for sale and trading	637,971	-	20,426	107,233	1,446,102	-	2,211,732
Derivative financial instruments	35,936	30,156	50,449	199,408	24,233	-	340,182
Loans to credit and financial institutions and due from banks, net	1,424,151	234,188	392,939	70,231	9,976	1,608	2,133,093
Loans to customers, net	1,647,534	1,614,052	2,544,287	3,508,942	8,159,828	275,602	17,750,245
Investment securities – available for sale and trading	-	-	3,240	38,182	-	27,157	68,579
Investment securities – held to maturity	-	-	-	-	12,493	-	12,493
Investments in subsidiaries	-	-	-	-	-	58,941	58,941
Intangible fixed assets (less amortisation)	-	-	-	-	-	184,396	184,396
Tangible fixed assets (less depreciation)	-	-	-	-	-	58,136	58,136
Other assets, net	115,634	4	1,478	878	67	37,024	155,085
Total assets	5,583,189	1,878,400	3,012,819	3,924,874	9,652,699	642,864	24,694,845
Liabilities and shareholders' equity							
Amounts owed to the Central Banks	25	-	-	-	-	-	25
Amounts owed to credit and financial institutions	1,383,156	2,644	176,719	340,449	7,919,455	-	9,822,423
Derivative financial instruments	34,109	30,467	51,247	200,582	77,026	-	393,431
Deposits from the public	9,645,956	592,246	510,180	67,505	6,771	-	10,822,658
Subordinated loans	8,334	-	-	-	645,674	-	654,008
Debt securities in issue	105,911	30,083	123,924	560,542	54,982	-	875,442
Other liabilities and provisions	136,181	243	51,389	472	1,575	1,172	191,032
Equity	-	-	-	-	-	1,935,826	1,935,826
Total liabilities and shareholders' equity	11,313,672	655,683	913,459	1,169,550	8,705,483	1,936,998	24,694,845
Net assets (liabilities) before off balance sheet items	(5,730,483)	1,222,717	2,099,360	2,755,324	947,216	(1,294,134)	-
Off balance sheet items (net)	1,523,272	338,162	528,034	655,414	1,890,108	6,199	4,941,189
Net assets (liabilities)	(7,253,755)	884,555	1,571,326	2,099,910	(942,892)	(1,300,333)	(4,941,189)

As of 31 December 2006

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Total assets	3,487,640	1,348,523	2,460,831	4,312,921	6,924,009	529,116	19,063,040
Total liabilities and shareholders' equity	11,078,430	1,581,631	747,893	867,934	3,335,751	1,451,401	19,063,040
Off balance sheet items (net)	1,218,642	225,791	597,482	772,485	1,705,117	314	4,519,831
Net assets (liabilities)	(8,809,432)	(458,899)	1,115,456	2,672,502	1,883,141	(922,599)	(4,519,831)

NOTE 40 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY (LTL 000s) (CONTINUED)

The Group's liquidity analysis as of 31 December 2007:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Assets							
Cash in hand	460,494	-	-	-	-	-	460,494
Balances with the Central Banks	1,261,469	-	-	-	-	-	1,261,469
Government securities – available for sale and trading	638,891	4,421	20,426	110,966	1,453,208	0	2,227,912
Derivative financial instruments	35,936	30,156	50,449	199,408	24,233	-	340,182
Loans to credit and financial institutions and due from banks, net	999,829	5,284	1,224	490	89	1,608	1,008,524
Loans to customers, net	1,647,535	1,615,052	2,544,287	3,510,942	8,159,828	275,644	17,753,288
Finance lease receivable, net	309,649	282,812	514,681	1,526,662	1,276,162	18,172	3,928,138
Investment securities – available for sale and trading	1,107	1,065	3,544	44,830	3,752	415,909	470,207
Investment securities – held to maturity	-	-	-	-	12,493	-	12,493
Intangible fixed assets (less amortisation)	-	-	-	-	-	184,947	184,947
Tangible fixed assets (less depreciation)	-	-	-	-	-	88,492	88,492
Other assets, net	161,974	18,467	19,758	1,352	1,449	49,597	252,597
Total assets	5,516,884	1,957,257	3,154,369	5,394,650	10,931,214	1,034,369	27,988,743
Liabilities and shareholders' equity							
Amounts owed to the Central Banks	25	-	-	-	-	-	25
Amounts owed to credit and financial institutions	1,366,747	13,916	246,545	737,521	10,181,040	-	12,545,769
Derivative financial instruments	34,109	30,467	51,247	200,582	77,026	-	393,431
Deposits from the public	9,631,393	592,246	510,180	67,505	6,771	-	10,808,095
Subordinated loans	8,334	-	-	-	645,674	-	654,008
Debt securities in issue	105,808	30,083	122,677	560,542	54,137	-	873,247
Other liabilities and provisions	220,709	7,569	68,011	4,034	5,914	397,022	703,259
Equity	-	-	-	-	-	2,010,909	2,010,909
	-				-		
Total liabilities and shareholders' equity	11,367,125	674,281	998,660	1,570,184	10,970,562	2,407,931	27,988,743
Net assets (liabilities) before off balance sheet items	(5,850,241)	1,282,976	2,155,709	3,824,466	(39,348)	(1,373,562)	-
	-				-		
Off balance sheet items (net)	1,409,950	362,055	854,378	655,625	1,890,108	6,199	5,178,315
Net assets (liabilities)	(7,260,191)	920,921	1,301,331	3,168,841	(1,929,456)	(1,379,761)	(5,178,315)

As of 31 December 2006

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Total assets	3,788,757	1,304,281	2,520,942	5,125,007	7,799,203	621,388	21,159,578
Total liabilities and shareholders' equity	11,096,114	1,620,664	793,442	1,336,650	4,797,983	1,514,725	21,159,578
Off balance sheet items (net)	1,458,230	230,706	590,424	763,588	1,704,222	311	4,747,481
Net assets (liabilities)	(8,765,587)	(547,089)	1,137,076	3,024,769	1,296,998	(893,648)	(4,747,481)

LIQUIDITY RATIO	**The Group**		**The Bank**	
	2007	**2006**	**2007**	**2006**
Total current assets	5,149,926	4,239,460	5,103,004	4,108,548
Total current liabilities	11,741,961	11,121,866	11,927,885	10,890,072
Liquidity ratio	43.86%	38.12%	42.78%	37.73%

As of 31 December 2007 the Bank's and the Group's liquidity ratio exceeded the statutory minimum required by the Bank of Lithuania (30 percent).

NOTE 41 CAPITAL ADEQUACY

The Group's regulatory capital as managed by its central Group Treasury is divided into two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), reserve capital, retained earnings;
- Tier 2 capital: qualifying subordinated loan capital, general and other reserves, qualifying current year profit;
- Deductible amounts: the book value of intangible assets; and investments in credit and financial institutions above 10 percent.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the components of capital adequacy calculation and the ratios of the Bank and Group for the years ended 31 December:

The Group			The Bank	
2007	**2006**		**2007**	**2006**
1,450,659	1,186,233	Tier 1 capital	1,406,488	1,140,415
792,650	562,640	Tier 2 capital	776,510	553,072
(184,947)	(184,191)	Less intangible assets and deductible investments	(208,075)	(213,315)
23,313,572	16,713,374	Risk weighted assets	20,053,371	14,573,383
8.83 %	**9.36 %**	**Capital adequacy ratio according to Basel requirements as of 31 December**	**9.85 %**	**10.16 %**

NOTE 42 NET FOREIGN CURRENCY POSITION (LTL 000s)

The following table presents the equivalent amount in thousands of LTL of the net position of assets and liabilities denominated in currencies other than LTL and EUR as of 31 December 2007:

The Group				The Bank	
Position	**Position as percentage of capital**	**Currency**	**Rates**	**Position**	**Position as percentage of capital**
(43,805)	(2.13)	U.S. Dollars (USD)	2.3572	(48,823)	(2.47)
188	0.01	Canadian Dollars (CAD)	2.4026	188	(0.01)
889	0.04	Russian Rubles (RUB)	0.0961	889	0.05
1,154	0.06	Estonian Crone (EEK)	0.22067	1,122	0.06
5,846	0.28	The remaining long positions	N/A	2,854	0.14
(1,147)	(0.05)	The remaining short positions	N/A	(1,712)	(0,09)
(44,952)	2.18	Open short position	N/A	(50,535)	(2.56)

As of 31 December 2006:

The Group				The Bank	
Position	**Position as percentage of capital**	**Currency**	**Rates**	**Position**	**Position as percentage of capital**
(47,873)	(3.06)	U.S. Dollars (USD)	2.6304	(31,546)	(2.13)
(118)	(0.01)	Canadian Dollars (CAD)	2.2648	(118)	(0.01)
(86)	(0.01)	Russian Rubles (RUB)	0.099708	(86)	(0.01)
(101)	(0.01)	Estonian Crone (EEK)	0.22067	(151)	(0.01)
1251	0.07	The remaining long positions	N/A	829	0.05
(1,849)	(0.11)	The remaining short positions	N/A	(2,287)	(0.15)
(50,027)	3.20	Open short position	N/A	(34,188)	(2.31)

NOTE 42 NET FOREIGN CURRENCY POSITION (LTL 000s) (CONTINUED)

Based on requirements of the Bank of Lithuania, starting from 1 December 2004, EUR currency position is not included when calculating foreign currency open position.

As of 31 December 2007 the Group complied with the foreign currency open position requirements set forth by the Bank of Lithuania.

NOTE 43 INTEREST RATE RISK MANAGEMENT (LTL 000s)

The Group's interest rate sensitivity in case of parallel shift by 1 p.p. in the yield curve, in LTL million is presented in the table below:

Interest rate sensitivity	**2007**	**2006**
Effect to net interest income (ΔNII)	42.3	44.9
Effect to the market value of shareholders equity (delta 1%)	66.6	49.8
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Group)	27.4	22.8
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Bank)	26.8	22.8

During 2007, the interest rate sensitivity increased due to an increased mismatch in absolute terms between interest rate sensitive assets and liabilities caused by significant growth of lending volumes.

The Bank performs the interest rate management on the Group via provision of financing for its subsidiaries, and other Group interest rate risk management policies and techniques manages interest rate risk of its subsidiaries and the Group.

Value at Risk assessment results on total portfolios positions, in LTL thousand

The Group			**The Bank**	
2007	**2006**		**2007**	**2006**
17,790	7,184	Interest rate risk (stand-alone)	17,992	5,982
53	60	Foreign exchange risk (stand-alone)	53	60
1,646	1,247	Equity price risk (stand-alone)	1,646	1,247
(1,591)	(1,200)	Diversification effect	(1,465)	(1,146)
17,898	**7,291**	**Total**	**18,226**	**6,143**

Trading book VaR is not separated from total portfolios VaR due to changed trading book definition during 2007 resulting in incomparable trading book VaR figures between year 2007 and 2006.

During 2007, the interest rate sensitivity increased due to an increased mismatch in absolute terms between interest rate sensitive assets and liabilities caused by significant growth of lending volumes.

The Bank via provision of financing for its subsidiaries, and other Group interest rate risk management policies and techniques manages interest rate risk of its subsidiaries and the Group.

NOTE 44 COMPLIANCE WITH REGULATORY REQUIREMENTS

As of 31 December 2007 both the Bank and the Group were in compliance with the maximum lending to one customer, large exposure, related party lending, investment and open foreign currency position limits established by the Central Banks. During the year neither Bank nor the Group received any sanctions from the Bank of Lithuania.

The local legislation require banks to prepare consolidated accounts for group entities engaged in financial services activities without consolidation of entities involved in other activities. To comply with this requirement the Bank consolidated all its subsidiaries except for UAB SEB Venture Capital, venture capital company, and presents this information in this note.

Income Statement of the Group excluding venture capital entity
for the year ended 31 December 2007 (LTL 000s)

	2007	2006
Interest income	1,233,041	777,905
Interest expenses	(617,111)	(348,062)
Net interest income	615,930	429,843
Provisions for loan impairment	(31,654)	(14,634)
Provisions for lease portfolio and other doubtful leasing assets	(6,811)	(1,264)
Provisions for guarantees	(1,084)	(155)
Other provisions	(1,065)	(850)
	(40,614)	(16,903)
Net interest income after provisions	575,316	412,940
	-	
Net service charges and other income	214,562	161,535
Net gain on sale non – current asset held for disposal	39,430	-
Net gain on disposal of subsidiaries	55,521	-
Net gain on equity investments	23,149	18,435
Net gain on operations with debt securities and financial instruments	(19,576)	(28,889)
Net foreign exchange gain	90,836	101,773
Net insurance premium revenue	91,211	71,196
Gross insurance expenses	(84,352)	(68,719)
Net life insurance income	6,859	2,477
Deposit insurance expenses	(43,356)	(36,485)
Staff costs	(169,032)	(141,289)
Other administrative expenses	(166,846)	(149,426)
	(379,234)	(327,200)
Profit before income tax	606,863	341,071
	-	
Income tax	(89,269)	(57,021)
	-	
Net income	517,594	284,050
Attributable to:		
Equity holders of the parent	517,594	284,043
Minority interest	-	7
	517,594	284,050
Earnings per share, attributable to equity holders of the parent (LTL)	33.52	18.39
Diluted earnings per share, attributable to equity holders of the parent (LTL)	33.52	18.39

NOTE 44 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Balance sheet of the of the Group excluding venture capital entity
as of 31 December 2007 (LTL 000s)

	2007	2006
Assets		
Cash in hand	460,494	360,724
Balances with the Central Banks	1,261,469	949,532
Due from banks, net	978,270	813,908
Government securities – available for sale	2,060,853	1,751,730
Financial assets at fair value through profit or loss	594,859	408,985
Derivative financial instruments	340,182	117,734
Loans to credit and financial institutions, net	30,254	22,431
Loans to customers, net	17,750,245	13,301,177
Finance lease receivable, net	3,928,138	2,706,668
Investment securities – available for sale	27,705	155,058
Investment securities – held to maturity	12,493	13,941
Investments in subsidiaries	25,000	50,703
Intangible fixed assets	184,947	184,191
Tangible fixed assets	76,331	58,424
Assets under operating lease	12,149	14,951
Investment property	-	-
Non-current assets held for disposal	-	54,968
Deferred tax asset	635	2,042
Other assets, net	251,598	192,779
Total assets	27,995,622	21,159,946
Liabilities		
Amounts owed to the Central Banks	25	40
Amounts owed to credit and financial institutions	12,545,769	7,947,818
Derivative financial instruments	393,431	189,091
Deposits from the public	10,560,254	9,652,757
Liabilities in life insurance operations	258,367	184,535
Liabilities to investment contract holders	136,052	58,438
Accrued expenses and deferred income	69,078	31,957
Income tax payable	59,806	48,699
Subordinated loans	654,008	493,662
Debt securities in issue	873,247	894,945
Deferred tax liabilities	1,045	2,361
Other liabilities and provisions	440,028	160,692
Total liabilities	25,991,110	19,664,995
Equity		
Equity attributable to equity holder of the parent		
Paid in capital	1,034,575	1,034,575
Share premium	-	-
Reserve capital	1,034	1,034
Financial assets revaluation reserve	(7,442)	591
Translation reserve	-	-
Legal reserve	34,363	14,746
General and other reserves	9,338	9,338
Net income for the period and retained earnings	932,644	434,667
	2,004,512	1,494,951
Minority interest	-	-
Total equity	2,004,512	1,494,951
Total liabilities and equity	27,995,622	21,159,946
Return on Average Equity attributable to equity holders of the parent	30.16 %	20.8 %
Return on Average Total Assets	2.14 %	1.58 %

NOTE 44 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Changes in Equity of the Group excluding venture capital entity for the year ended 31 December 2007 (LTL 000s)

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Translation reserve	Legal reserve	General and other reserves	Retained earnings	Minority interest	Total
31 December 2006	**1,034,575**	**-**	**1,034**	**591**	**-**	**14,746**	**9,338**	**434,667**	**-**	**1,494,951**
Net change in available for sale investments, net of deffered tax	-	-	-	(8,033)	-	-	-	-	-	(8,033)
Net income for the period	-	-	-	-	-	-	-	517,594	-	517,594
Net income recognized directly in equity	*-*	*-*	*-*	*(8,033)*	*-*	*-*	*-*	*517,594*	*-*	*509,561*
Transfer to reserves	-	-	-	-	-	19,617	-	(19,617)	-	-
31 December 2007	**1,034,575**	**-**	**1,034**	**(7,442)**	**-**	**34,363**	**9,338**	**932,644**	**-**	**2,004,512**

NOTE 44 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Cash Flows of the Group excluding venture capital entity
for the year ended 31 December 2007 (LTL 000s)

	2007	2006
Cash from operating activities		
Interest income received	1,202,429	771,203
Interest expenses paid	(487,865)	(376,491)
Net foreign exchange gain	90,836	101,773
Net gain (loss) in securities trading and financial instruments	(19,576)	(28,889)
Net commission and service income	214,562	161,535
Life insurance operations	158,305	58,974
Staff costs	(169,032)	(141,289)
Other payments	(228,169)	(146,283)
Net cash from operating activities before change in operating assets	761,490	400,533
Changes in operating assets		
Increase in compulsory balances with the Central Banks	39,448	(113,234)
Decrease (increase) in due from banks and loans to credit and financial institutions	(660,638)	(60,331)
Increase in loans to customers	(4,450,110)	(4,401,001)
Increase of finance lease receivable	(1,228,281)	(779,163)
(Increase) decrease in other current assets	(3,509)	(155,642)
Net increase in operating assets	(6,303,090)	(5,509,371)
Changes in operating liabilities		
Increase in deposits from the public	907,497	1,447,618
Increase in accrued expenses, deferred income and other liabilities	144,257	159,867
Net increase in operating liabilities	1,051,754	1,607,485
Net cash (to) from operating activities before income tax	(4,489,846)	(3,501,353)
Income tax paid	(37,731)	(31,294)
Net cash (to) from operating activities after income tax	(4,527,577)	(3,532,647)
Cash flow from (to) investing activities		
Purchase of tangible and intangible fixed assets, net	(48,043)	17,908
Decrease in investment in Government securities – available for sale	(317,156)	(643,079)
Investment in subsidiaries, net of cash acquired	81,224	62,052
Increase of investment in other securities and derivatives	(73,299)	345,489
Net gain on sale non-current asset held for disposal	110,969	-
Cash used in investing activities	(246,305)	(217,630)
Cash flow from (to) financing activities		
Increase (decrease) in amounts owed to the Central Banks	(15)	2
Increase (decrease) in amounts owed to credit and financial institutions	4,597,951	3,288,267
Decrease in subordinated loans	160,346	441,860
Debt securities issued, net	(21,698)	435,959
Cash received (used in) financing activities	4,736,584	4,166,088
Net increase in cash	(37,298)	415,811
Cash 1 January	1,327,746	911,935
Cash 31 December	1,290,448	1,327,746
Specified as follows:		
Balance available for withdrawal with the Central Banks	592,659	241,274
Overnight deposits	31,211	558,414
Cash on hand	460,494	360,724
Current accounts with other banks	206,084	167,334
	1,290,448	1,327,746

NOTE 45 RELATED PARTIES (LTL 000s)

A number of banking transactions are entered into with related parties in the normal course of business. The transactions with top parent company include loans, deposits and debt instrument transactions. Transactions with SEB group during the year can be specified as follows:

The Group			Interest rate %	The Bank	
2007	2006			2007	2006
704,090	616,476	Outstanding loan amount at year end	3-6.5	704,090	616,346
-	132,069	Debt instruments (AFS) at year end	-	-	132,069
329,760	114,902	Positive replacement values (HFT) at year end	-	329,760	114,902
7,926	2,607	Other assets at year end	-	2,311	2,551
(12,487,700)	(7,544,340)	Outstanding deposit amount at year end	0.27-8.55	(9,731,148)	(5,767,471)
(288,654)	(274,518)	Other liabilities at year end	-	(288,400)	(274,515)
4,902	49	Unused granted overdraft facilities	-	4,902	49
11,854	28,215	Guarantees issued at year end	-	11,854	28,215
108,651	1,522,356	Guarantees received at year end	-	108,651	1,522,356
23,832	28,796	Interest income	-	23,832	28,796
(425,872)	(184,608)	Interest expense	-	(337,230)	(138,574)
270	(2,449)	Other services received and cost incurred from SEB group, net	-	(5,790)	(6,212)
508	80,752	Consideration received on subsidiaries' sale to SEB group companies	-	-	80,752

Transactions between the Bank and its subsidiaries during the year can be specified as follows:

	Interest rate %	The Bank	
		2007	2006
Off-balance sheet commitments as of 31 December:			
Agreements to grant loans	-	232,150	19,050
Guarantees issued	-	3,544	2,792
Letters of credit issued	-	3,875	714
Outstanding loan amounts at year end:			
UAB SEB Lizingas	2.98-5.41	1,124,864	914,116
AB SEB VB Būsto Bankas	-	-	-
UAB SEB VB Nekilnojamasis Turtas	-	-	91,598
UAB SEB Investicijų Valdymas	-	-	-
UAB SEB Venture Capital	11	1	4
Outstanding deposit amounts at year end:			
UAB SEB Venture Capital	0.25	14,562	14,658
UAB SEB Investicijų Valdymas	0.2-0.25	13,370	9,146
UAB SEB Enskilda	0.25	4,293	10,146
UAB SEB Gyvybės Draudimas	0.2-6.8	15,312	14,183
UAB SEB VB Nekilnojamasis Turtas	-	-	27
UAB SEB Lizingas	0.2-0.25	231	270
Other assets at year end	-	5,997	1,195
Other liabilities at year end	-	-	21
Issued debt securities purchased by the Bank at year end	-	-	-
Issued debt securities purchased by subsidiaries	-	2,195	8,585
Interest income	-	49,283	31,224
Interest expense	-	1,083	(1,179)
Dividend income	-	45,772	35,632
Other services received and cost incurred from subsidiaries, net	-	14,777	(6,473)

NOTE 45 RELATED PARTIES (LTL 000s) (CONTINUED)

During 2007 the Bank disbursed LTL 928,949 thousand to UAB SEB Lizingas according lending agreements.

The loans issued to directors and other key management personnel (and close family members) are repayable on a regular basis over the period of loan. Transactions with key management (the Board members) during the year can be specified as follows:

The Group			Interest	The Bank	
2007	2006		rate %	2007	2006
7,634	2,056	Outstanding loan amount at year end	3	7,634	2,056
101	-	Finance lease receivable	3	-	-
886	689	Outstanding deposit amount at year end	0.25-11	886	689
1,114	674	Commitments to grant loans at year end	-	1,114	674
5,294	4,295	Payroll and bonuses including social security	-	5,294	4,295
61	-	Amounts receivable	-	61	-
181	28	Interest income	-	181	28
20	2	Interest expense	-	20	2

NOTE 46 APPROPRIATION OF PROFIT AND TRANSFERS OF RESERVES (LTL 000s)

The following Bank's profit appropriations and transfers of reserves were proposed to annual shareholders meeting:

	Legal reserve	Net income for the period	Retained earnings
31 December 2007	**31,348**	**496,094**	**369,713**
Profit appropriation to Legal reserve	43,291	(43,291)	-
Profit appropriation to Retained earnings	-	(452,803)	452,803
31 December 2007 after appropriation of profit and transfers of reserves	**74,639**	**-**	**822,516**

Profit appropriation of other Group companies will be approved during shareholders meetings of each subsidiary separately.

NOTE 47 OFF BALANCE SHEET ITEMS (LTL 000s)

The Group			The Bank	
2007	2006		2007	2006
4,613,854	4,380,238	Agreements to grant loans	4,846,003	4,399,288
662,638	626,694	Guarantees issued	666,183	629,486
81,180	111,017	Letters of credit issued	85,055	111,731
473,150	249,034	Commitments to purchase assets and other commitments	-	-
8,440	9,180	Avalised bills of exchange	8,440	9,180
4,349	1,252	Commitments to sell securities	4,349	1,252
257	605	Customs guarantees collateralised by deposits	257	605

Legal proceedings. There were a few legal proceedings outstanding against the Group at 31 December 2007. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

As of 31 December 2007 rental off balance sheet commitments of the Group amounted to LTL 177,111 thousand (LTL 23,536 thousand in 2006) and rental off balance sheet commitments of the Bank amounted to LTL 174,640 thousand (LTL 23,167 thousand in 2006). All non-cancellable commitments fall into the period within ten years.

NOTE 47 OFF BALANCE SHEET ITEMS (LTL 000s) (CONTINUED)

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

The Group			The Bank	
2007	**2006**		**2007**	**2006**
2,642	4,271	Short term deferred income (up to 1 year)	-	-
4,125	3,803	Long term deferred income (up to 5 years)	-	-
6,767	8,074	**Total future lease and rental payments under non-cancellable operating lease**	-	-

NOTE 48 POST BALANCE SHEET EVENTS

After the balance sheet date the Bank successfully completed 14 debt securities issues with the nominal value of LTL 572,304 thousand.

The Bank started three debt securities issues after 31 December 2007, which have not been completed yet. As of 15 March 2008 they amounted to LTL 11,094 thousand and were accounted for in 'other liabilities and provisions' line in the balance sheet.

After the balance sheet date three debt securities issue with the nominal value of LTL 133,332 thousand was redeemed.