

ANNUAL REPORT OF SEB VILNIAUS BANKAS FOR 2006

In 2006, Lithuania preserved its rapid economic development rate. All sectors of industry continued growing, businesses gained strength, and resources from the European Union funds became a significant support for the national economy. The input of banks towards economic growth was as significant as during the previous year. SEB Vilniaus Bankas, too, actively contributed towards the country's further economic growth, towards improving the standard of living of local population by financing major projects, offering attractive banking solutions to both businessmen and private individuals.

Last year, SEB Vilniaus Bankas Group's performance was particularly good. In 2006, SEB Vilniaus Bankas Group's net profit assessed on the basis of the International Financial Reporting Standards was LTL 288.2 million, which is a LTL 139.1 million, or a 93.3 per cent, increase as compared to 2005. The Group's profit before profit tax was LTL 346.1 million, which is an LTL 165.1 million, or a 91.2 per cent, increase year on year. Over said period, net interest income increased by LTL 110.8 million, or by 35.2 per cent, reaching LTL 425.8 million. An increase in net services and commissions income was LTL 30.4 million, i.e. 28.2 per cent; total net services and commissions income was LTL 136 million.

As of 31 December 2006, SEB Vilniaus Bankas Group's total assets exceeded LTL 21 billion, which is an LTL 6 billion, or a 40 per cent, increase as compared to 2005. Over the year 2006, net worth in terms of customer loans portfolio increased by LTL 4.4 billion, or 50 per cent, and was LTL 13.2 billion. Customer deposits portfolio was worth LTL 9.6 billion: its increase over the year 2006 was LTL 1.2 billion, or 14.8 per cent. As at the end of December 2006, SEB Vilniaus Bankas had the country's largest market share both in terms of customer loans portfolio and customer deposits and debt securities issued: 35 per cent and 32 per cent, respectively. SEB Vilniaus Bankas Group's equity increased by 20 per cent and was LTL 1.5 billion. The Group manages its financial risk as described in its financial reporting, which also highlights its financial risk management objectives, transaction risk hedging instruments and the scope of the Group's credit risk and market risk.

In 2006, SEB Vilniaus Bankas had a special focus on environmental risk management. In 2006, the Bank's Credit Policy was supplemented with a section on Corporate Social Commitment, which establishes that environmental risk assessment must be included in the analysis of both new and old customers for the purpose of loan issuance, avoiding profitable but contradictory in terms of environmental risk activities.

Last year, new trends became evident in the Lithuanian retail banking market and the population was increasingly interested in new saving and investment instruments. In 2006, the number of SEB Vilniaus Bankas Group's private individual customers increased by 8.8 per cent, reaching 951 thousand. In 2006, SEB Vilniaus Bankas held the leader position in terms of executed mortgage loan agreements, which were worth 1.8 billion. Over a year, consumer loans portfolio soared by 77.6 per cent and reached LTL 429 million.

The number of corporate customers was 55 thousand, of which major corporate customers made as many as 1.2 thousand, and the portfolio of loans issued thereto increased by 43.5 per cent, reaching LTL 5.2 billion.

SEB Vilniaus Bankas continued increasing the scope of its services. Last year, the number of payment cards it issued increased by 9.5 per cent and was over 1.1 million. In 2006, an increase in the number of settlement transactions by cards issued by the bank was 35 per cent, relevant settlement turnover being LTL 10.3 billion, which represents a 43 per cent market share.

With a launch of new modern and user-friendly Internet banking functionalities, the number of e-banking customers increased by 20.4 per cent: from 524 to 630 thousand. Over the reporting period, the number of telephone banking service users increased by 20.8 per cent: from 515 to 622 thousand.

SEB Vilniaus Bankas Group's interest income from debt securities was LTL 77 million, which is a 48.3 per cent increase, as compared to 2005. In the year 2006, SEB Vilniaus Bankas Group was the most active player in the Lithuanian bond market, its relevant market share being 48.6 per cent. The bank's Securities Custody Unit was the leading securities custodian in Lithuania in terms of the total number of securities held in its custody. Over the year 2006, the market value of securities held by SEB Vilniaus Bankas Group as a securities custodian increased to LTL 17.2 billion, and the bank's relevant market share was 36 per cent as of 31 December 2006.

During 2006, SEB Vilniaus Bankas successfully placed eighty four debt securities issues. As of 31 December 2006, total worth of debt securities issued was LTL 894.9 million, which is as much as a 103.2 per cent increase as compared to 31 December 2005.

In 2006, SEB Vilniaus Bankas Group significantly improved its operational efficiency and cost control. The Group's cost/income ratio, as compared to 2005, decreased from 51.3 to 42.6 per cent. At the same time, the Group made considerable investments for the development of its retail banking and customer service network. In 2006, the Group devoted most of its time and efforts for customer service quality improvement: it introduced a new customer service quality standard. As of 31 December 2006, SEB Vilniaus Bankas had 67 customer service subdivisions. Over the year 2006, the bank opened 4 new customer service outlets, renovated 9, and moved 8 into new premises.

During 2006, the number of employees dropped from 2,241 to 1,901 mainly due to sales of SEB Bank in Ukraine (previous name - Bank Agio). Staff costs increased up to LTL 142.6 million, or by 14.1 per cent. However, other administration costs, deposit insurance costs excluded, increased by a mere 4.8 per cent, up to LTL 142.4 million.

In 2006, SEB Vilniaus Bankas Group met the prudential requirements of the Bank of Lithuania. Over said period, the bank effected no buy-out of its shares nor performed any transfer of its shares to any other owners. In November 2006, the bank's shareholders resolved on increasing the share capital, which as of 31 December 2006 was over LTL 1 billion, using LTL 880 million from its reserves.

In December 2006, SEB Vilniaus Bankas' major shareholder Skandinaviska Enskilda Banken started squeeze-out process with a view to buy out the remaining portion of the bank's shares and paid the price approved by the Securities Commission of the Republic of Lithuania, which was LTL 266.95 per share. Minority shareholders should sell their shares before 12 March 2007.

At the close of 2006, the process of liquidation of SEB VB Būsto Bankas (SEB VB Mortgage Bank) was completed, after SEB Vilniaus Bankas took over the assets of said subsidiary company and recorded them in its balance sheet. As of 31 December 2006, SEB Vilniaus Bankas shareholding in its subsidiary companies was as follows: 28,501 ordinary registered shares of SEB VB Lizingas (SEB VB Leasing), its authorised capital being LTL 10 million; 25,703 registered shares of SEB VB Nekilnojamas Turtas (SEB VB Real Estate), its authorised capital being LTL 25.7 million; 250,000 shares of SEB VB Rizikos Kapitalo Valdymas (SEB VB Venture Capital), its authorised capital being LTL 25 million; 711,400 shares of SEB Enskilda, its authorised capital being LTL 7.1 million; 603,355 shares in SEB VB Gyvybės Draudimas (SEB VB Life Insurance), its authorised capital being LTL 6 million; and 157,500 shares of SEB VB Investicijų Valdymas (SEB VB Asset Management), its authorised capital being LTL 1.6 million.

SEB VB Lizingas' net leasing receivables increased by as much as 40.3 per cent, i.e. by LTL 778 million, and were LTL 2.7 billion. In 2006, this subsidiary company executed new financial agreements worth a total of LTL 1.8 billion, which is a 38 per cent upswing as compared to 2005. Last year, the leasing company was characterised by rapid growth in all spheres of its activities, however, new cars and trucks leasing once again showed the best result, enabling SEB VB Lizingas to retain the market leader position with a 40.2 per cent relevant market share.

In 2006, SEB VB Gyvybės Draudimas signed agreements at a total of LTL 122 million, which is more than a two times increase as compared to 2005. The Lithuanian insurance market growth being 57 per cent, growth of SEB VB Gyvybės Draudimas was 130 per cent, resulting in a rise of its market share from 18.4 to 26.9 per cent. SEB VB Gyvybės Draudimas continued to be number one in unit-linked life insurance and health insurance markets with a 41.3 per cent and 64 per cent market share, respectively.


During 2006, the number of Pillar II pension fund customers of SEB VB Investicijų Valdymas increased by 24.4 thousand to reach 212 thousand. The number of Pillar III pension fund customers increased from 7.3 to 13 thousand. As of 31 December 2006, SEB VB Investicijų Valdymas' assets under management, which increased by 92 per cent over a year, were worth LTL 953 million, and the company's relevant market share was the largest, i.e. 38.1 per cent. In 2006, SEB VB Investicijų Valdymas established two new investment funds: SEB Fund of Funds and Pillar II pension fund SEB Pension 3. Also, SEB VB Investicijų Valdymas expanded its distribution channels, as it started offering its agreements via its agents AB Šiaulių Bankas and financial brokerage limited liability company Steponkauskas Kontora. At the close of 2006, SEB VB Investicijų Valdymas maintained its strong leader position in Pillar III pension funds and investment funds market, its relevant market share being, respectively, 74.4 per cent and 40 per cent.

The performance of SEB Vilniaus Bankas was once positively assessed by international banking magazines and rating agencies. In 2006, international rating agency Fitch Ratings confirmed the ratings assigned to SEB Vilniaus Bankas, among them, the long-term liability rating A. The performance of SEB Vilniaus Bankas was also acknowledged by international banking publications, such as Global Finance, Euromoney, etc.

During the year 2006, the bank continued to pursue its pro-active social activities: for the third year in a row it was involved in the Dreams Come True charity campaign, providing support to children from child care homes, also, it contributed to the activities of other children and youngster foundations and continued with education projects it had started with the aim to raise customer awareness of family finance management as well as of saving and borrowing methods. The bank's employees continue with their active involvement in the mentorship programme to help children avoid dangerous habits. Also, the Group allocated support to the country's sports and cultural events, as it believes in the benefit and future perspective of such socially highly important areas.

SEB Vilniaus Bankas Group is an active participant in the country's economic development, contributing towards its social progress and the formation of its banking market. The Group's vision is to be the leading financial services provider in Lithuania and therefore it keeps continuous focus on its staff education and training, aims to be a useful and professional adviser to its customers in any situation, whenever a customer may need financial services. The Group goal is to create financial welfare to its customers by launching and improving its services and its service quality, expanding and improving its customer service outlets, speeding up its decision-making process and offering individually tailored solutions to separate customer groups.

President of SEB Vilniaus Bankas



Audrius Žiugžda