AB SEB BANK

INDEPENDENT AUDITOR'S REPORT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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Translation note

Financial statements have been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of the financial statements takes precedence over the English language version.

Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Independent Auditor's Report

To the shareholder of AB SEB Bank

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial statements') of AB SEB Bank ('the Bank') and its subsidiaries (collectively 'the Group') set out on pages 23-102 which comprise the stand alone and consolidated statement of financial position as of 31 December 2011 and the stand alone and consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the accompanying Financial statements give a true and fair view of the financial position of the Bank and the Group as of 31 December 2011, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2011 set out on pages 5- 22, including its Appendix 1 set out on pages 103 - 131 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 2011.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Director

Rimvydas Jogela
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
12 March 2012

CONSOLIDATED ANNUAL REPORT OF SEB BANK FOR THE YEAR 2011

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

This Consolidated Annual Report (hereinafter the Report) has been prepared for the year ended 31 December 2011. All numbers presented are as of 31 December 2011 or for the year then ended, unless specified otherwise.

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

Issuer's name	**SEB Bank**
Authorised capital	LTL 1,034,575,341
Legal address	Gedimino pr.12, LT-01103 Vilnius
Telephone	(8 5) 2682 800
Facsimile	(8 5) 2682 333
E-mail address	info@seb.lt
Legal form	Public limited company
Registration date and place	29 November 1990, the Bank of Lithuania
Company code	112021238
Company registration number	AB90-4
Website address	www.seb.lt

SEB Bank (hereinafter the 'Bank'), a public limited company, is a credit institution operating on share capital basis and is licensed to engage in such types of activities as acceptance of deposits and other refundable means from non-professional market participants and funds lending, also it is entitled to engage in offering other financial services and assumes relevant related risks and liability.

At the close of the reporting period, the SEB Bank Group in Lithuania (hereinafter the 'Group') consisted of SEB Bank and three subsidiary companies: SEB Investicijų Valdymas, SEB Lizingas and SEB Venture Capital.

Name	**SEB Lizingas**
Type of core activities	Finance lease
Legal form	Private limited company
Registration date and place	19 April 1995, Vilnius
Company code	123051535
Registered and office address	Saltoniškių g. 12, LT-08105 Vilnius
Telephone	(8 5) 2390 490
Fax	(8 5) 2390 450
E-mail address	lizingas@seb.lt
Website address	www.elizingas.lt

Name	**SEB Venture Capital**
Type of core activities	Own asset investment into other companies' equity and asset management on trust basis
Legal form	Private limited company
Registration date and place	16 October 1997, Vilnius
Company code	124186219
Domicile address	Gedimino pr. 12, LT-01103 Vilnius
Office address	Jogailos g. 10, LT-01116 Vilnius
Telephone	(8 5) 2682 407
Fax	(8 5) 2682 402
E-mail address	kapitalas@seb.lt
Website address	http://www.seb.se/venturecapital

Name	**SEB Investicijų Valdymas**
Type of core activities	Various investment management services, consultancy services
Legal / organisational form	Private limited company
Registration date and place	3 May 2000, Vilnius
Company code	125277981
Domicile address	Gedimino pr. 12, LT-01103 Vilnius
Office address	Gedimino pr. 20, LT-01103 Vilnius
Telephone	(8 5) 2681 594
Fax	(8 5) 2681 575
E-mail address	info.invest@seb.lt
Website address	www.seb.lt

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

The Bank, in the process of a public issue of bonds, must execute an agreement with the selected public offering agent for the protection of interests of the owners of any relevant issue of bonds.

As of 31 December 2011, SEB Bank had 13 agreements executed with financial brokerage company Orion Securities UAB (legal entity code 122033915, address A. Tumėno g. 4, 9th floor, LT-01109 Vilnius) and 48 agreements with AB Bank Finasta (legal entity code 301502699, address Maironio g. 11, LT-01124 Vilnius).

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

Shares of SEB Bank are not included in either the main or secondary list of Nasdaq OMX Vilnius exchange or in trading lists of other regulated markets and their listing is not planned in the nearest future.

As of 31 December 2011, three non-equity securities issues of SEB Bank were included in the trading list of the debt securities list of Nasdaq OMX Vilnius exchange:

Parameters	Issue
ISIN code	LT0000431025
Number of securities issued (units)	31,850
Nominal value per unit (LTL)	100.00
Total nominal value (LTL)	3,185,000.00
Effective date of the issue	21 December 2010
Redemption date	23 January 2014

Parameters	Issue
ISIN code	LT0000431157
Number of securities issued (units)	37,257
Nominal value per unit (LTL)	100.00
Total nominal value (LTL)	3,725,700.00
Effective date of the issue	21 December 2010
Redemption date	23 January 2014

Parameters	Issue
ISIN code	LT0000405060
Number of securities issued (units)	46,575
Nominal value per unit (LTL)	100.00
Total nominal value (LTL)	4,657,500.00
Effective date of the issue	17 May 2011
Redemption date	13 June 2016

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

5. *Objective overview of the issuer group status, activities and development, description of the main risk types and uncertainties*

In 2011, SEB Bank Group Lithuania provided a full range of financial services to private individual, corporate customers and financial institutions. SEB Group Lithuania consisted of public limited company SEB Bank and three subsidiaries: SEB investicijų Valdymas, SEB Lizingas and SEB Venture Capital. In March 2011, with the aim to optimise the activities of international financial group SEB, the Bank in Lithuania sold all shares in its subsidiary company SEB Enskilda to the international SEB Group.

Lithuanian economy recovery and stronger financial standing of customers in 2011 contributed towards improvement the Group's financial result. Taking a responsible attitude in assessing business risk the Bank financed new business projects, issued loans to private individuals and offered new banking services that meet up-to-date needs. The Bank further decreased its provisions for impaired loans, also measures aimed at increasing operational efficiency had a positive impact on the Bank's operating result.

Despite increasing uncertainty in the Euro zone and in the global markets in the second half of 2011, the expectations of Lithuanian businesses were better compared to 2010, therefore, opportunities emerged to enhance the development of banking business in the segment of large corporate customers, there were positive changes also in the sector of small and medium companies.

In 2011, net profit earned by SEB Bank was LTL 379.8 billion (EUR 110.0 million), and that earned by the SEB Bank Group was LTL 469.7 million (EUR 136.0 million). The result has been calculated in accordance with the requirements set by relevant documents of the Bank of Lithuania and by the legal acts of the Republic of Lithuania. In 2010, audited net loss sustained by the Bank was LTL 12.1 million (EUR 3.5 million), and that of the Bank Group was LTL 18.0 million (EUR 5.2 million). The Bank's year 2011 result includes profit from sales after assignment of shares of the Bank's subsidiary company SEB Enskilda to the SEB Group.

As of 31 December 2011, the assets of the SEB Bank Group were LTL 26.6 billion (as of 31 December 2010 they were LTL 22.6 billion), i.e. an increase of 18.1 per cent. As of 31 December 2011, the SEB Bank Group's equity was worth LTL 2.3 billion (as of 31 December 2010, it was LTL 1.9 billion), i.e. an increase of 25.4 per cent. As of 31 December 2011, the SEB Bank Group's capital adequacy ratio, calculated according to the requirements of the Bank of Lithuania was 13.59 per cent (the required minimum is met), and the Bank's liquidity ratio as of 31 December 2011 was 46.12 per cent (the required minimum is 30.0 per cent).

In 2011, the number of the Group's customers was growing and the bank's deposit portfolio increased. Such growth was mainly caused by changes that took place in the Lithuanian banking market in the last quarter of 2011, when the operation of Bank Snoras AB was suspended. As a result of state enterprise Indėlių ir Investicijų Draudimas ('Deposit and Investment Insurance Fund') selecting SEB Bank for payment of insurance compensations to Bank Snoras' depositors (private individuals and companies within Vilnius County), the Bank's stable standing and the resulting customer trust and choice, the Bank's deposit portfolio increased. Since 31 December 2010 until 31 December 2011, the Bank's deposit portfolio increased from LTL 9,6 billion to LTL 12.2 billion, i. e. by 26 per cent.

During 2011, the Group's operating expenses increased by 11 per cent and were LTL 343.7 million (in 2010, they were LTL 309.1 million).

In 2011, the Group's net interest income increased by LTL 84.72 million, or by 31.56 per cent, and was LTL 353.15 million.

As of 31 December 2011, the number of the bank's effective bond issues was 106, their total nominal value being LTL 576 million. As of 31 December 2011, according to the nominal value of effective bonds registered with the Lithuanian Central Securities Depository, the Bank's local market share was 35.9 per cent.

During 2011, the number of registered users of SEB Bank Internet banking system increased by 7 per cent – from 946 thousand to 1.013 million. In 2011, the number of payment transactions via the Internet increased by 9.5 per cent. As of 31 December 2011, the Bank had 55 customer service subdivisions all over Lithuania. Within the year 2011, the Bank increased its ATM network up to 365. At present, customers of SEB Bank can use an ATM network that is the largest one in Lithuania and includes ATMs of SEB and DNB, i.e. 541 ATMs in 82 towns, large and small.

As of 31 December 2011, the number of the SEB Bank Group employees (excluding the employees on maternity/paternity leave) was 1,731, i. e. by 3.2 per cent less as compared to 31 December 2010, when the actual number of the Group's employees was 1,788. A decrease in the number of employees was determined by the fact that in 2011 this number no longer included employees of SEB Enskilda, whose shares in March 2011 were assigned by the Bank to the international SEB Group, also, due to the Group's reduced number of employees as a result of the implementation of measures for enhancing operational efficiency.

In 2011, there were changes in the senior management of SEB Bank: member of the management board Aušra Matusevičienė was replaced by Jonas Iržikevičius.

In 2011, SEB Bank successfully completed integration of its payment cards and core banking system roll-out. With its upgraded IT systems the Bank offers more possibilities to debit card holders – the Bank's debit cards were linked to bank accounts, and now debit card holders may execute the same banking transactions as the ones they can execute in a bank account.

In 2011, the Bank was further aiming at the implementation of its strategy to be the Home Bank for its customers. As a long-term relationship bank, SEB Bank offered modern universal banking services, provided them in a professional and convenient way, aiming to get an in-depth understanding of each customer's needs and expectations.

The Bank was the first in the Lithuanian banking market to offer financial service plans to private individuals at a fixed monthly fee, continuously improved its banking services that customers may use on their own – by a mobile phone or via the Internet, also expanded its network of cash dispensing ATMs throughout country, offered a possibility for private individual and corporate customers to receive their renewed debit card by mail directly at their private or office address.

In 2011, state enterprise Indėlių ir Investicijų Draudimas selected SEB Bank for payment of insurance compensations to former depositors of Bank Snoras – private individuals and companies within Vilnius County. Before the close of 2011, SEB Bank had paid out major portion – more than LTL 3 million – of said insurance compensations.

In 2011, the SEB Bank Group won major global awards: SEB Bank Lithuania was awarded with the title of the Bank of the Year in the EEC Region (ACQ Finance), the Best Private Bank in Lithuania (Euromoney), SEB Investicijų Valdymas' pension fund SEB Pensija 2 was selected the Best Pension Fund in Central and Eastern Europe (Investment & Pensions Europe). Also, SEB Bank won the title of the Best Bank for Real Estate (RE) sector in Lithuania (Euromoney) and the Best Trade Bank in Lithuania (Global Finance). A survey in 2011 by business daily Verslo Žinios and career portal cv.lt 2011 showed that SEB Bank is the most attractive employer in Lithuania.

In 2011, implementing its corporate social responsibility policy, the SEB Bank Group implemented many initiatives and projects within the following the SEB Bank Group's 8 corporate social responsibility model areas: responsible sales and marketing, financial crimes prevention, responsible management, environment impact reduction, sustainable financing and investments, accessibility of financial services, best place to work, investment in communities.

Issuer risk. The Bank's obligations against investors are not additionally secured by any guarantee and/or in any other manner, the Bank's obligation to redeem non-equity securities is not insured by state enterprise Indėlių ir Investicijų Draudimas, therefore, the investor assumes banking (operational) risk related to political, economic, technical and technological as well as social factors.

Credit risk. The Group assumes credit risk, i.e., the risk of another counterparty being unable to duly meet its obligations against the Bank. Counterparty risk is assessed based on credit equivalents calculated depending on the type of a financial deal. The Group Credit Policy is applied adhering to the principle that any lending transaction may be executed only subject to credit analysis. Taking into account 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 in total, taking into account its total portfolio. Assessment of the portfolio of homogeneous loan groups with similar risk characteristics, i.e. natural persons' mortgage loans, consumer loans, payment card account overdraft limits, also, loans to small enterprises, is performed. Special provisions for homogenous loans are formed by applying statistical methodology based on historical data on any defaults of the borrowers and sustained losses within the corresponding homogeneous loan group. Individually assessed borrowers are assigned to a relevant risk class, based on which special provisions requirement is established. The Group classifies its individually assessed borrowers based on 16 risk classes.

Risks are managed by carrying out regular analysis of the borrower's ability to meet its obligations: to repay the loan and pay interest. The Group establishes credit risk limits per single borrower, a group of borrowers or per economic activities. Borrower credit risk, taking into consideration the risk class assigned to the borrower, is revised on a regular basis, no less than once a year. Analysis of the borrower, borrower group and industry sector risks is also performed on regular basis.

Applied credit portfolio concentration risk limits are as follows:

- maximum exposure per single borrower must not exceed 25 per cent of the Bank's/ Group's equity, and the total amount of large exposures may not exceed 800 per cent of the Bank's/ Group's equity;
- total loans issued by the bank to other subsidiary companies of the parent company or the bank's subsidiary companies per single borrower may not exceed 75 per cent of the bank's equity, if the Bank of Lithuania performs consolidated supervision of the entire financial group. If the Bank of Lithuania does not perform any consolidated supervision of the entire financial group, the maximum exposure per each SEB Group company may not exceed 25 per cent of the bank's equity.

Presented below is the information on the Bank's individually assessed credit losses, on changes in the total value and the ratio to the credit portfolio over periods of historic financial information.

	31-12-2009*	31-12-2010*	31-12-2011*
Individually assessed client credits, which value has impaired, gross amount (impaired loans), in LTL'000	2,586,697	2,936,736	2,178,332
Client credit portfolio (without special provisions), in LTL'000	18,653,351	17,144,657	16,886,116
Ratio (in per cent)	**13.87 per cent**	**17.13 per cent**	**12.90 per cent**

* According to Official Letter of the Credit Institutions Supervision Department of the Bank of Lithuania No. 1203-310, dated 10 June 2008.

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

	31-12-2009	31-12-2010	31-12-2011
Impairment losses on loans to customers (special provisions)	1,459,262	1,463,927	1,207,686
Impairment losses on loans to credit and financial institutions as of year end (special provisions)	391,048	40	31
Balance of impairment losses on loans to credit and financial institutions as of year end (special provisions)	1,850,310	1,463,967	1,207,717
Special provisions to loan portfolio ratio	**9.54 per cent**	**8.29 per cent**	**6.97 per cent**

Market risk. It is the risk of losses or of a loss of future net income due to changes in interest rates, foreign exchange rates and share prices (including the price risk in case of sales of assets or closing of positions).

Interest rate risk is managed by forecasting market interest rates and making relevant adjustments so that there is no mismatch in the assets and liabilities within the revaluation periods. The Bank applies interest rate risk management methodologies that help to measure the Group's sensitivity to interest rate changes by computing the impact to yearly net interest income (ΔNII) and net effect on the market value of shareholders equity (delta 1%) in case of a parallel shift by one percentage point in the yield curve.

Foreign exchange risk exposure is defined by two measures: the single open foreign currency position and the aggregate open currency position - the larger one of all summed-up long and short open currency positions. Foreign exchange risk measures include 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 adheres to the open currency position limits established by the Bank of Lithuania: 1) maximum open single currency position may not exceed 15 per cent of equity; 2) maximum total open position may not exceed 25 per cent of equity.

Changes in the Group's s maximum open position as a percent of the Group's total equity during the recent years is shown in the table below.

The Group	31-12-2009	31-12-2010	31-12-2011
Maximum open single currency position	103.53 per cent	83.87 per cent	105.63 per cent
Maximum aggregate open currency position	1.78 per cent	0.36 per cent	0.34 per cent

Share price risk is managed by establishing limits that describe acceptable share price risk, taking into consideration any possible losses related to market price volatility, by establishing the structure of the share portfolio.

Liquidity risk. Liquidity risk is the risk that the bank may be unable to timely meet its financial obligations and/or, aiming to meet them, it may have to sell its financial assets and/or close positions and will sustain losses due to a lack of liquidity in the market.

The Group adheres to conservative liquidity risk management policy that ensures adequate fulfilment of its current financial obligations, the level of obligatory reserves with the Bank of Lithuania, liquidity ratio higher than that established by the Bank of Lithuania and solvency capacity under unforeseen unfavourable circumstances. The liquidity risk management system is based on the analysis of actual and forecasted cash flows.

Changes in the Bank's and the Group's liquidity ratio over recent years are shown in the table below.

The Group			Ratio	The Bank		
31-12-2009	31-12-2010	31-12-2011		31-12-2009	31-12-2010	31-12-2011
n. a.*	37.36 per cent	46.80 per cent	Liquidity ratio (at least 30%)	60.31 per cent	35.88 per cent	46.12 per cent

* In the period from 2007 to 2009, the Bank of Lithuania had eliminated the Group's liquidity report.

Operational risk. 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).

On 1 January 2008, the regulators issued a permission to the Bank to use the AMA (Advanced Measurement Approach) model in the operational risk assessment process for the calculation of regulatory capital for the operational risk.

The Bank has developed and continuously upgrades and improves its operational risk management tools: operational risk policy, ORSA (Operational Risk Self Assessment) and RTSA (Rogue Trading Self Assessment) methodologies, insurance policy, activities continuity planning requirements and continuity plans, internal controls mechanisms and the New Product and Services Approval Process.

Bank has launched and continuously uses its operation risk management system ORMIS, which is a Group wide IT solution. The operational risk management system enables each employee of the Group to register all operational risk incidents and the management at all levels – to assess, monitor and control risks and compile various reports. With the aim to achieve as detailed as possible assessment of the operational risk, ORSA and RTSA (Rouge Trading Self-Assessment) methodologies are applied, internal controls are undertaken, regular assessment of subdivision and process risks is performed.

Another two systems related to operational risk management are used for the development of new products and/or services (NAMIS) and for the formation of activity continuity plans for subdivisions LDRPS (Living Disaster Recovery Planing System).

The Bank has the Operational Risk Committee, which is aimed at improving the operational risk management and ensure appropriate cooperation between risk managers (1st line-of-defence) and control units (2nd line-of-defence).

The management board is provided with quarterly operational risk reports, which contain a review of new operational risk cases, efficiency of the application of the operational risk management measures as well as other risks.

Business risk. It is the risk of a decrease in income due to any unforeseen shortage of regular income that is usually determined by a drop in business volumes, price pressure or competition. Business risk also includes reputation risk, which is a risk of a decrease in income from ordinary activities and which may arise dues to any adverse rumours about the bank or about the banking sector generally.

Strategy risk. It is the risk caused by unfavourable or erroneous business solutions, improper implementation of decisions or insufficient response to any political changes or changes in the regulatory acts or the banking sector.

Business and strategy risk management at the Bank is delegated to relevant responsible units, which based on business plans and their implementation control, identify such risks and manage/mitigate them. Said units continuously monitor the set ratios. In case any decline is found, relevant information is provided to the management board and/or other responsible persons. Also, the Bank has approved activity continuity plans.

Capital adequacy. Lithuanian banks are required to maintain capital adequacy ratio, which is calculated as the capital base to risk-weighted assets ratio. During the internal capital adequacy assessment process for 2011, the target capital adequacy ratio was set at close to 12 per cent

In October 2009 and in December 2010, the SEB Group was strengthening its capital base by covering losses through additional contributions of its shareholders.

In March 2010, the Board of the Bank of Lithuania gave permission to the Bank to include the issue of non-redeemable subordinated loan bonds worth EUR 100,000,000 (LTL 345,280,000) into the Bank's Tier II capital. The issue of non-redeemable subordinated loan bonds was acquired by the Bank's parent bank Skandinaviska Enskilda Banken AB (publ).

In 2011, on three occasions the Board of the Bank of Lithuania gave permission to the Bank to prepay, before maturity established under loan agreements, i.e. on 26 April, 13 June and 22 September 2011, the subordinated loans obtained from Skandinaviska Enskilda Banken AB (publ) under subordinated loan agreements dated 26 April, 13 June and 22 September 2011 worth in total EUR 102,000,000 (LTL 352,180,000). SEB Bank availed of the possibility to terminate the agreement with the aim to cut the Bank's borrowing costs and maintain the Bank's capital adequacy level. After the repayment of the loan, the Bank's capital adequacy ratio was 12.94 per cent and that of the Group was 13.59 per cent.

Changes in the bank and the Group capital adequacy ratios during recent years are presented in the table below.

The Group			Ratio	The Bank		
31-12-2009	**31-12-2010**	**31-12-2011**		**31-12-2009**	**31-12-2010**	**31-12-2011**
11.58 per cent	15.95 per cent	13.59 per cent	Capital adequacy ratio	12.94 per cent	16.43 per cent	12.94 per cent

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

Volume and changes of the Group's activities are partially reflected by the below data of the balance sheet and profit and loss statements drafted in accordance with the International Financial Reporting Standards (IFRS):

LTL million	31-12-2009	31-12-2010	13-12-2011
Loans	17,205	15,725	15,662
Investment	1,847	1,884	1,726
Lease receivables	2,504	1,695	1,673
Deposits	9,670	9,643	12,153
Amounts owed to credit and financial institutions	13,651	9,296	10,136
Equity	1,525	1,859	2,331
Assets	26,952	22,558	26,642

The Group's income structure during recent years was as follows:

LTL million	2009	2010	2011
Net interest income (loss) after impairment losses	(1,404.6)	114.5	684.7
Other income before operating expenses, net	210.3	250.4	188.8
Result before operating expenses	(1,194.3)	364.9	873.5
Operating expenses	(347.7)	(309)	(343.7)
Impairment losses on intangible assets	(169.6)	(71.8)	-
Profit (loss) before profit tax from continues activities	(1,711.6)	(15.9)	529.8
Net profit (loss) from continued activities	(1,445.5)	(17.8)	469.7

Key ratios of the Group and the Bank activities are included in the table below:

The Group			Ratio	The Bank		
2009	2010	2011		2009	2010	2011
11.58 per cent	15.95 per cent	13.59 per cent	Capital adequacy ratio	12.94 per cent	16.43 per cent	12.94 per cent
(4.99 per cent)	(0.07 per cent)	1.99 per cent	Return on Assets	(6.12 per cent)	(0.05 per cent)	1.72 per cent
(76.06 per cent)	(1.04 per cent)	21.86 per cent	Return on Equity	(79.55 per cent)	(0.73 per cent)	19.50 per cent
n. a.*	37.36 per cent	4.80 per cent	Liquidity ratio	60.31 per cent	35.88 per cent	46.12 per cent
(93.61)	(1.15)	30.42	Earnings per share, LTL	(100.13)	(0.78)	24.59
98.75	120.40	150.94	Book value per share, LTL	92.03	114.06	138.70

* The Bank of Lithuania had revoked the liquidity report requirement for the Group in the period from 2007 to 2009.

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

All key financial data are included in the consolidated financial statements of the Group.

The Group must ensure the implementation of appropriate organisational measures, procedures and business process support IT systems, the entirety of which would ensure the implementation of adequate internal control system, which, in its turn, would enable providing reliable financial reporting data. The following key elements of the Group's internal control should be mentioned: checking the data on transactions executed in primary systems against transaction data in the accounting system; clear organisational structure and proper segregation of functions, daily accounting of the Group's transactions and relevant reports, based on actual market data, established risk restricting limits and regular control of whether the risk is in line with such limits, internal control elements integrated in business and business support processes as well as other control measures.

8. *Major events since the end of previous financial year*

On **8 February 2012**, the Supervisory Council of SEB Bank AB took a decision on re-electing the Management Board of SEB Bank for a new four-year tenure. The following members of the Management Board were approved as members of the management board of the new tenure: Raimondas Kvedaras, Jonas Iržikevičius, Roberts Bernis, Aivaras Čičelis and Virginijus Doveika. The management board was re-elected upon expiry of the four-year tenure established for the Management Board of SEB Bank. On 8 February 2012, the meeting of the Management Board of SEB Bank elected Raimondas Kvedaras to the position of the Chairman of the Management Board of SEB Bank.

On **7 February 2012**, the Bank announced that according to preliminary data, unaudited net profit earned by SEB Bank in 2011 was LTL 379.8 million (EUR 110.0 million), and that of the SEB Bank Group was LTL 469.7 million (EUR 136.0). The result has been calculated in accordance with the requirements set by the acts of the Bank of Lithuania and legal acts of the Republic of Lithuania. Over the year 2010, audited net loss sustained by the Bank totalled LTL 12.1 million (EUR 3.5 million) and that by the bank Group – LTL 18.0 million (EUR 5.2 million). The year 2011 result of the Bank includes profit from sales obtained upon assignment of shares in the Bank's subsidiary company SEB Enskilda to the SEB Group. The operating result of SEB Enskilda is not included the SEB Bank Group's year 2011 operating result.

9. *Issuer Group's activity plans and forecasts*

The SEB Bank Group in Lithuania aims at long-term and mutually beneficial relations with all customers of the Group. For this purpose, the Bank implements its strategy to be the Home Bank for its customers, where their daily financial matters are managed. As a relationship bank, SEB Bank offers modern and universal banking services and provides them in a professional and convenient way with in-depth understanding of each customer's needs and expectations.

The SEB Bank Group, seeking to implement its said strategy and aiming to maintain long-term relations with its customers, also, taking into account the objectives of the SEB Group, envisages the following key trends of activities:

- Risk management. This area is constantly in the focus of attention of the Group – internal rules and procedures are improved, trainings on risk assessment are arranged for specialists of the Group, etc. In future it is planned to maintain this area in the focus of attention by availing of the experience already gained and by developing the employees' competence and knowledge on risk management;
- Increasing the operational efficiency. Seeking to retain operational efficiency and competitive edge, the Bank plans to:
  - increase income by applying target marketing: to clearly define competitive advantages in various client segments and, based on it, develop new growth plans;
  - duly assess the demand for costs aiming at achievement of the selected goals;
- Customer loyalty strengthening. Aiming to become the Home Bank for its customers, the Bank plans to retain the existing customers and to attract new ones:
  - by offering flexible solutions to customers facing financial problems, who, with the help of the Bank would be able to survive the hard times;
  - by creating new attractive services and products for customers successfully developing their business, so that they would feel the Bank's steady attention;
  - by ensuring a possibility for its customers to be serviced by the Bank in a convenient, fast and safe way using various modern means (the Internet, mobile phone, self-service areas, etc.);
- The best employer image retention. The Group will further aim at creating both the atmosphere of trust and respect, in which employees may work and develop, and environment, which would help to attract and develop competent specialists and encourage employees to aim at the achievement of top results.

The Group expects that proper solutions in each the above specified area will increase client and employee satisfaction as well as their loyalty to the Group.

The development of the Group's activities is described under Article 5 of the present Report. In 2011, the Group carried out customer satisfaction surveys as well as customer and general public opinion polls to find out their opinion about the Group – its services, image and reputation.

10. Financial risk management objectives

The Group manages its financial risks as described in the consolidated annual financial statements. Financial risk management objectives, transaction risk hedging measures, the Group credit risk and market risk volume are also described in the above-mentioned document.

11. Data on the Issuer's acquisition/assignment of own shares, powers of the Issuer's bodies to issue and buy up the Issuer's shares.

The Bank has none and during the year 2010 did not acquire its own shares. Also, the Bank's subsidiary companies have not acquired the Bank's shares. During the reporting period, the Bank and its subsidiary companies did not buy or sell their own shares.

The general meeting of the Bank's shareholders has the exclusive right to set the class, number, nominal value and minimum issue price of shares issued by the company and take a decision for the Bank to acquire its own shares.

12. Information on the Issuer's branches and representative offices

As of 31 December 2011, the Bank had 3 branches: SEB Bank's Eastern Region (code 112053613, address: Savanorių pr. 1, LT-03116 Vilnius), SEB Bank's Middle Region (code 112052511, address: Laisvės al. 82/ Maironio g. 17, LT-44250 Kaunas), and SEB Bank's Western Region (code 112052479, address: Taikos pr.32, LT-91246 Klaipėda).

The branches consisted of a network of 55 customer service units (7 branches and 48 sub-branches) all over Lithuania.

13. The Issuer's authorised capital

The Bank's authorised capital registered with the Register of Legal Entities (amount, structure by share type and class, total nominal value) is as follows:

Type of shares	ISIN code	Number of shares	Nominal value (LTL)	Total nominal value	Share within authorized capital (in %)
Ordinary registered shares	LT0000101347	15 441 423	67	1 034 575 341	100,00
In total	**-**	**15 441 423**	**-**	**1 034 575 341**	**100,00**

All shares of the Bank are paid up and are not subject to any restrictions in terms of securities assignment.

14. Shareholders

On 19 November 2010, the squeeze-out procedure of SEB Bank's shares was finalized. A 100 % stake in SEB Bank represented by its 15,441,423 ordinary registered shares is owned by bank Skandinaviska Enskilda Banken AB (publ) registered with the Enterprise Register of Sweden, its legal form: a public limited company, legal entity number: 502032-9081, domicile address: Kungsträdgårdsgatan 8, Stockholm, the Kingdom of Sweden.

15. Major investments made over the reporting period

The Group's investments over the year 2011 into fixed tangible and intangible assets have been described in notes 26 and 27 of the consolidated annual financial statements and made no more than 10 per cent of the authorised capital.

16. Employees

As of 31 December 2011, the SEB Bank Group in Lithuania (SEB Bank, SEB Investicijų Valdymas, SEB Lizingas and SEB Venture Capital) had 2,023 employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave), i.e. by 2.6 per cent less compared to the end of 2010, when the Group had 2,078 employees. As of 31 December 2011, the number of actually working employees (excluding those on maternity/paternity leave) was 1,731, i.e. 3.2 per cent less than at the end of 2010, when the actual number of the Group's employees was 1,788. A decrease in the number of employees was determined by the fact that in 2011 this number no longer included employees of SEB Enskilda, whose shares in March 2011 were assigned by the Bank to the international SEB Group, also, by a decrease in the number of employees due to the Group's implemented operational efficiency enhancement measures.

During the year 2011, the number of employees of the Bank alone (working under labour contracts with and without a fixed term, including those on maternity/paternity leave) dropped by 2 per cent – from 2,009 to 1,968, and the number of the Bank's actually employed employees (excluding those on maternity/paternity leave) was 1,686, i.e. 2.5 per cent less than at the end of 2010, when their number was 1,730.

In 2011, the average actual number (excluding the number of employees on maternity/paternity leave) was 1,689 employees (in 2010, it was 1,748 employees).

	The Bank			The Group		
	31-12-2009	31-12-2010	31-12-2011	31 12 2009	31 12 2010	31-12-2011
Regular employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave)	2,029	2,009	1,968	2,198	2,078	2,023
Actually number of employees (excluding those on maternity/paternity leave)	1,811	1,730	1,686	1,957	1,788	1,731

Tables below contain information on the Bank's employees' educational background and average monthly wages (before taxes). Labour contracts or collective bargaining agreements do not provide for any special rights or duties of the issuer's employees or of some of them.

	Number of employees			Average monthly wages (in LTL)		
	31-12-2009	31-12-2010	31-12-2011	31-12-2009	31-12-2010	31-12-2011
Senior management staff	279	275	256	10,245	9,921	10,612
Specialists	1,741	1,726	1,704	3,569	3,341	3,445
Service staff	9	8	8	1,994	2,069	2,119
In total	**2,029**	**2,009**	**1,968**	**-**	**-**	**-**

	Number of employees	University education		College education		Secondary education	
		number	per cent	number	per cent	number	per cent
Senior management staff	256	242	94.5	5	2.0	9	3.5
Specialists	1,704	1,322	77.6	124	7.3	258	15.1
Service staff	8	5	62.5	1	12.5	2	25.0
In total	**1,968**	**1,569**	**79.8**	**130**	**6.6**	**269**	**13.6**

17. The Group's information on the remuneration policy and its implementation

The information has been drawn up and announced implementing the requirements of Item 25 of Resolution of the Board of the Bank of Lithuania 'Regarding an amendment to the Board of the Bank of Lithuania Resolution 'Regarding minimum requirements for policies of remuneration to credit institution employees' No. 228, dated 10 December 2010', No. 03-175, dated 10 December 2009, also, Resolution of the Securities Commission of the Republic of Lithuania 'On approving the requirements for remuneration policies of financial brokerage companies, management companies and investment companies' No. 1K-9, dated 3 February 2011.

The Group has its approved remuneration policy, which aligned with the remuneration policy of SEB, the Bank's shareholder. Also, the remuneration policy implements legal acts of the Board of the Bank of Lithuania and of the Securities Commission of the Republic of Lithuania regulating the requirements for the remuneration policy.

The Group's remuneration policy creates and promotes an internal culture that long-term steers in the benefit of the customers and thus over time will give its shareholders the best return. The competence and commitment of the Group's employees are crucial to the Group's development. The Group encourages to aim at the achievement of top results, adhere to the code values and assume well weighted and balanced risk in line with the expectations of customers and shareholders. Also, the Group aims that the remuneration to its employees is competitive in the markets and segments where the Group operates in order to motivate high performing employees.

- **Information on the remuneration policy decision-taking process in establishing and revising the remuneration policy principles, including information on the remuneration committee (composition and powers), external advisers, if their services were resorted to when developing the policy**

The Group abides by the remuneration policy that was approved by the Bank's supervisory council on 27 April 2011. All of the Group companies have implemented the remuneration policy requirements. When developing said remuneration policy, no services of external advisers were resorted to.

The Bank's Human Resources Department together with the Compliance Unit, annually reviews the Group's remuneration policy and submits proposals on the policy changes. The remuneration policy is approved by the Bank's supervisory council, upon approval of the Group's remuneration committee. The management board of the Bank is responsible for the implementation of the remuneration policy.

On 27 April 2011, the Group's remuneration committee was established, consisting of:
- Chairman of the committee – Head of SEB Business Support (Knut Jonas Martin Johansson);
- Member of the committee – Head of Finance of SEB Baltic Division (Mark Barry Payne);
- Member of the committee – Head of Legal of SEB Baltic Division (Ted Tony Kylberg);
- Member of the committee – Head of Human Relations of SEB Baltic Division (Anna Maria Erika Hamstedt).

Candidates to members of the remuneration committee are approved by the supervisory council of the Bank. Persons related to the Bank or its subsidiary companies by labour relations as well as members of the Bank's management board may not be elected chairman or members of the remuneration committee. None of the members of the remuneration committee has shares in the Bank.

The competence of the remuneration committee and its rules of procedure are established by the remuneration committee regulations approved by the supervisory council of the Bank.

The remuneration committee, at the proposal of the president of the Bank, takes decisions on:
- Establishing individual remuneration by position (including pension saving plans) to senior managers, other than members of the board, directly reporting to the president of the Bank;
- allocation of short-term incentive programmes to certain employee groups;
- allocation of the amount of the short-term inceptive programme.

The remuneration committee drafts and submits to the Bank's supervisory council for approval:
- the Bank's remuneration policy, any amendments thereto and a list of risk-takers and any amendments thereto
- remuneration by position to the president, board members of the Bank, heads of the Internal Audit Department, Compliance Unit and Risk Control Unit;
- long-term incentive programmes applied to the group employees;
- pension saving plans applied to the president and board members of the Bank;
- proposals regarding employee individual remuneration by position, if their amount is equal or exceeds the minimum amount of individual remuneration by position of a board member.

Also, the remuneration committee performs other functions delegated to it by the Bank's supervisory and provided for by the remuneration committee regulations and relevant legal acts.

- **Information on the relation between the remuneration and performance results**

Principles of establishing remuneration are related to the Group employees' performance appraisal results. It means that when establishing remuneration, the appraisal of an employee's performance is taken into account

The Group employees' remuneration consist of the following three elements:
- remuneration by position (or hourly rate);
- variable remuneration, which may be allocated according to the following programmes:
  - short-term incentive programme;
  - long-term incentive programme;
- additional benefits.

Remuneration by position (or hourly rate) – it is the wages (base pay) established in an employee's labour contract.

Variable remuneration – it is a variable portion of remuneration, which may be paid to employees as an extra to the remuneration by position – in bonuses, pension saving contributions, rights to the Bank's shares, equity-linked financial instruments, other financial or non-cash instruments, and the amount of which depends on an individual employee's input to the performance of his/her subdivision or of the Group.

Variable remuneration is established so that it would encourage the achievement of not only short-term, but also long-term results of the Group's continued activities, and would encourage to search for long-term strategic solutions that would ensure sustainability of the Group's business development. The whole amount of the variable remuneration paid for a certain period of time is established taking into account the performance during several months and must not threaten the Group's ability to achieve the Group's total positive result over the entire business cycle.

Additional benefit – it includes additional health insurance, saving endowment insurance, additional annual vacation, additional paid vacation to students.

- **The main remuneration policy structure elements, including information on the criteria used for performance appraisal and for risk assessment, risk-based remuneration adjustment, remuneration allocation criteria and deferral principles**

The remuneration policy structure consists of:
- remuneration concept and remuneration package elements;
- remuneration by position;
- variable remuneration;
- additional benefit;
- remuneration policy management and control;
- information disclosure;
- description of the Group's risk-takers and their attribution to said category.

The remuneration policy establishes that principles for the determination and payment of variable remuneration to risk-takers must be in line with the Group's long-term continued activities interests, business strategy, objectives, values, and would encourage reliable and effective risk management, and employees would not be encouraged to take risk that is excessive and unacceptable to the Group.

At the beginning of each year, annual activity objectives are established for the Group, subdivision and an employee, based on which the performance over a relevant year is appraised. SEB applies a uniform group-wide process for the appraisal and documentation of an employee's performance and behaviour, where the achievement of individual qualitative and quantitative objectives serves for the determination of a relevant remuneration.

Remuneration is related to performance, therefore, the whole amount of the remuneration is based on the overall appraisal of performance of an individual, a subdivision and the Group. The appraisal of each employee's personal input includes not only the employee's input towards the achievement of financial results (quantitative objectives), but also non-financial (qualitative) criteria (for instance, observance of internal rules and procedures as well as standards of the relations with customers and investors).

Variable remuneration to the Group's employees whose professional activities and/or decisions taken may have a significant impact on the risks assumed by the Group is established according to the impact of their decisions on risk. An employee is considered to be able to take decisions that have a significant impact on the risk assumed by the Group (i.e. a risk-taker), if the employee meets at least one of the following criteria:
- employees with leading strategic positions in the Group;
- employees with risk control functions;
- employees empowered to take decisions, which may have a material impact on the Group's performance;
- employees whose remuneration is equal or exceeds the remuneration of the Group's employees in leading strategic positions.

Remuneration for said employees is calculated based on the appraisal of a relevant employee's performance over no less than three to five years, and the actual variable remuneration is paid in portions – over a period that matches the Group's operation cycle and operational risk. No less than 50 per cent of the remuneration to such employees must consist of shares or any other financial instruments.

Variable remuneration may not make more than a 100 per cent of the annual remuneration by position.

Payment (in cash or in non-cash instruments) of a portion of variable remuneration calculated for a risk-taker is deferred for a three to five years' period, if the calculated variable remuneration portion over a year is significantly large (a definite amount is indicated in the Remuneration Policy).

The deferred variable remuneration portion is allocated proportionately over the entire deferral period, and its payment is started no earlier than after one year since the end of a relevant employee's performance appraisal and shall be effected no more than once a year.

In case of financial instruments that constitute a portion of the variable remuneration, a no less than 12 months' deferral period is applied. Such period is reckoned since the time of granting the rights to the financial instruments. This provision applies both to the deferred variable remuneration portion and to the variable remuneration portion that is not subject to deferral.

- **Performance appraisal criteria, which are the basis for the right to the Bank's shares, equity-linked financial instruments and to other composite parts of the variable remuneration**

Variable remuneration to risk-takers may be disbursed taking into account the following terms:
- sustainability of the Bank's and/or the Group's financial standing;
- implemented annual objectives of an employee, also, adherence to the requirements of the internal legal acts.

Prior to the disbursement of each deferred portion of the variable remuneration and in each case related to its disbursement the above-indicated terms are assessed.

- **General quantitative information on remuneration by business areas**

The tables below contain information on amount before taxes. The information is provided for the year 2011 according to the data as of 9 March 2012.

The Group companies	Base remuneration (LTL '000)	Variable remuneration (LTL '000)	Number of employees
SEB Bank	91,531	8,692	1,968
SEB investicijų Valdymas	1,214	89	13
SEB Lizingas	2,352	222	40
SEB Venture Capital	480	1	2
In total	**95,577**	**9,004**	**2,023**

- **General quantitative information on remuneration to employees, excluding the senior management of the Bank:**

  - financial year annual wage amounts, split into base and variable remuneration portion and the number of individuals thus remunerated:

The Bank	Base remuneration (LTL '000)	Variable remuneration (LTL '000)	Number of individuals thus remunerated
The management board	2,632	848	5
Risk-takers of the Group, excluding members of the management board	7,416	832	37
Employees	81,483	7,012	1,926
In total	**91,531**	**8,692**	**1,968**

The Group	Base remuneration (LTL '000)	Variable remuneration (LTL '000)	Number of individuals thus remunerated
The management board	4,235	989	12
The Group's risk-takers, excluding members of the management board	7,422	832	39
Employees	83,920	7,183	1,972
In total	**95,577**	**9,004**	**2,023**

  - amounts of the variable remuneration split into payment in cash, pension contributions, shares of the Bank, equity-linked financial instruments and other financial or non-cash instruments:

The Bank	Variable remuneration paid in cash (LTL '000)	Pension contributions (LTL '000)	Shares of the Bank (LTL '000)	Equity-linked financial instruments (LTL '000)
The management board	192	0	0	656
The Group's risk-takers, excluding members of the management board	603	0	0	242
Employees	6,960	0	0	39
In total	**7,755**	**0**	**0**	**937**

The Group	Variable remuneration paid in cash (LTL '000)	Pension contributions (LTL '000)	Shares of the Bank (LTL '000)	Equity-linked financial instruments (LTL '000)
The management board	265	0	0	725
The Group's risk-takers, excluding members of the management board	604	0	0	242
Employees	7,129	0	0	39
In total	**7,998**	**0**	**0**	**1,006**

  - amounts of the outstanding deferred remuneration split into allocated and non-allocated portions:

The Bank	Deferred variable remuneration (LTL '000)	Allocated deferred variable remuneration (LTL '000)	Non-allocated deferred variable remuneration (LTL '000)
The management board	656	164	492
The Group's risk-takers, excluding members of the management board	339	145	194
Employees	0	0	0
In total	**994**	**309**	**685**

The Group	Deferred variable remuneration (LTL '000)	Allocated deferred variable remuneration (LTL '000)	Non-allocated deferred variable remuneration (LTL '000)
The management board	724	181	543
The Group's risk-takers, excluding members of the management board	339	145	194
Employees	0	0	0
In total	**1,063**	**326**	**737**

- amounts of the deferred variable remuneration, allocated over a financial year, paid and adjusted taking into account the performance results:

In 2011, there were no such amounts in the Bank and the Group.

- amount of the guaranteed variable remuneration envisaged under new agreements and the number of individuals thus remunerated:

In 2011, no guaranteed variable remuneration was paid by the Bank and the Group.

- amounts related to termination of labour relations allocated over the financial year, the number of individuals thus remunerated and maximum amount allocated to a single individual:

The Bank	Number of individuals paid the severance pay	Total amount of severance pays paid upon termination of labour contracts* (LTL '000)	Maximum amount allocated per single individual (LTL '000)*
	252	4,034	164

* including pays for unused vacation, taxes.

The Group	Number of individuals paid the severance pay	Total amount of severance pays paid upon termination of labour contracts* (LTL '000)	Maximum amount allocated per single individual (LTL '000)*
	275	4,324	164

* including pays for unused vacation, taxes.

- **Reasons and criteria for allocation of the variable remuneration portions and all other non-cash benefits**

For employees of the Group only the base remuneration – remuneration by position – is established in advance.

Remuneration establishment principles are related to the results of employee performance results. It means that individual remunerations by positions and variable remuneration is established taking into account the employees' performance appraisal.

The Group aims that remuneration for its employees would be competitive in the banking market by establishing an appropriate proportion: (1) between the remuneration by position and variable remuneration, and (II) between long-term and short-term reward. The Group also aims that the total remuneration would reflect the integrity of the employee activities, commitment and leadership qualities required for any definite position, also that it would be established taking into account the appraisal of an individual employee's activities.

18. Procedure for amending the Issuer's articles of association, rules regulating the election of members to the management board

The Bank's articles of association are amended according to the procedure established by the Company Law of the Republic of Lithuania and by the Law on the Republic of Lithuania on Banks. The Company Law of the Republic of Lithuania establishes that the right to amend the Bank's articles of association is exclusively vested in the general meeting of shareholders. When taking a decision on amending the articles of association, a 2/3 qualified majority of votes of general meeting of shareholders present at the general meeting of shareholders is required.

The Law on the Republic of Lithuania on Banks establishes that amended articles of association, in case of amending the provisions of the articles of association regarding 1) the name of the Bank; 2) the amount of the Bank's authorised (paid-in) capital; 3) the number of shares, also, their number by classes, their nominal value as well as the rights vested; 4) the competence of the Bank's management bodies, the procedure for the election and revocation of their members, may registered with the Register of Legal Entities only subject to a relevant permission of the supervisory authority, i.e. the Bank of Lithuania.

The Bank's management board is elected by the Bank's supervisory council for a 4 year tenure. If individual members of the board are elected, they are elected only until expiry of the tenure of the existing management board. A decision of the supervisory council to revoke any member from the management board may be adopted, if no less than 2/3 of the supervisory council members present at the meeting vote for it. The number of tenures of a management board member is unlimited. The chairman of the board is elected by the management board from among its members.

19. The Issuer's bodies

The articles of association of SEB Bank establish that the bodies of the Bank are as follows:

- The General Meeting of Shareholders of the Bank (hereinafter the 'Meeting')
- The Supervisory Council of the Bank (hereinafter the 'Council')
- The Management Board of the Bank (hereinafter the 'Management Board')
- Head of the Bank's administration (president) (hereinafter the 'President').

The competence of the General Meeting of Shareholders and shareholders' rights and their exercising are provided for by the laws of the Republic of Lithuania.

The Management 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 Management Board members and revokes them from their positions, supervises over the activities of the Management Board and the President and has other rights and duties attributed to its competence by acts of law of the Republic of Lithuania and the articles of association of the Bank.

The Management Board is a collegiate management body of the Bank, consisting of 5 members and is elected by the Council. The Management Board manages the Bank, handles its daily matters, represents the Bank's interests and is liable for the financial services of the Bank as prescribed by law. The Management Board elects (appoints) and revokes the President and his deputies and has other rights and duties attributed to its competence by acts of law of the Republic of Lithuania and the articles of association of the Bank. Individual members of the Management Board have no powers granted to them as members of the Management Board, they act jointly as a collegiate body and separately as directors of relevant divisions of SEB Bank.

The President acts in the name of the Bank, organizes the Bank's day-to-day activities and has other functions attributed to his competence by laws of the Republic of Lithuania and the articles of association of the Bank.

20. Information on the composition of the management and supervisory bodies and of their committees, their areas of activities as well as those of the head of the company and on the Chief Financial Officer

THE SUPERVISORY COUNCIL OF THE BANK (31 December 2011)

KNUT JONAS MARTIN JOHANSSON
Head of Business Support Division of Swedish bank SEB. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.
Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2009, Chairman of the Supervisory Council since 13 November 2009.

MARK BARRY PAYNE
Head of Finance of SEB Baltic Division. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.
Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2009.

CARL STEFAN DAVILL
Head of Human Resources of SEB Baltic Division. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.
Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2009.

STEFAN STIGNÄS
Head of Corporate Banking of SEB Baltic Division. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.
Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2009.

TED TONY KYLBERG
Head of Legal of SEB Baltic Division. Education: university degree, specialisation – law. No shares of the Bank are held by the Member.
Member of the Supervisory Council elected by an annual general meeting of shareholders of SEB Bank held on 25 March 2010.

The tenure of all members of the Supervisory Council expires on 29 October 2013.

THE MANAGEMENT BOARD OF THE BANK (31 December 2011)

RAIMONDAS KVEDARAS
Chairman of the Management Board and President of SEB Bank since 19 October 2009. Elected to the Management Board as its Member of on 4 February 2004. Education: higher, specialisation – international finance. No shares of the Bank are held by the Member.

AIVARAS ČIČELIS
Vice President and Head of Corporate Banking Division of SEB Bank. Member of the Management Board since 19 October 2009. Education: higher, specialisation – economics. No shares of the Bank are held by the Member.

ROBERTS BERNIS
Vice President and Head of Credit and Risk Management Division of SEB Bank. Member of the Management Board since 19 October 2009. Education: higher, specialisation – engineering. No shares of the Bank are held by the Member.

VIRGINIJUS DOVEIKA
Vice President and Head of Retail Banking Division of SEB Bank. Elected to the Management Board as its member on 14 June 2010. Education: higher, specialisation – business administration and management. No shares of the Bank are held by the Member.

JONAS IRŽIKEVIČIUS
Vice President and Head of Business Support Division and Chief Financial Officer of SEB Bank. Member of the Management Board since 11 April 2011. Education: higher, specialisation – business administration. No shares of the Bank are held by the Member.

The tenure of all members of the Management Board expires on 7 February 2016 (on 8 February 2012, the Supervisory Council of the Bank took a decision to re-elect the Management Board of the Bank for a new four-year tenure).

CHIEF EXECUTIVE OFFICER

RAIMONDAS KVEDARAS – Chairman of the Management Board and President of SEB Bank since 19 October 2009. Elected to the Management Board as its member on 4 February 2004.

CHIEF FINANCIAL OFFICER

JONAS IRŽIKEVIČIUS – Vice President and Head of Business Support Division and Chief Financial Officer of SEB Bank. Member of the Management Board and Chief Financial Officer since 11 April 2011.

Over the reporting period, there were no disbursements to members of the Supervisory Council of the Bank.

Information on disbursements over the reporting period to the Management Board members holding also other positions in the Bank is provided in the table below. Variable remuneration portion to members of the Management Board over the year 2011 has been allocated in 2012 – relevant information is provided under Article 17 of the present Report.

	Amounts in connection with labour relations	Property assigned gratis	Guarantees issued in the name of the company
In total to all members of the Management Board (LTL '000) before taxes, of which:	**3 435**	-	-
amounts based on a labour contract (LTL'000)	2 632	-	-
employer's social security contributions (LTL'000)	803	-	-
Other disbursements, including the employer's social security contributions (LTL'000):**	363	-	-
Per member of the Management Board on average (LTL'000) before taxes: *	**687**	-	-
amounts based on a labour contract (LTL'000)	526	-	-
employer's social security contributions (LTL'000)	161	-	-
During the year 2011 calculated amounts to the Company's Chief Executive Officer and Chief Financial Officer (LTL'000) before taxes:			
amounts calculated to the Company's Chief Executive Officer during the year 2011 based on labour contract (LTL'000)	652	-	-
amounts calculated to the Company's Chief Financial Officer during the year 2011 based on labour contract (LTL'000)	431	-	-

* The Management Board consists of 5 members.
** Severance pays, daily allowances exceeded the set standard.

On 4 October 2011, the Bank's supervisory council approved a new composition of the Bank's audit and compliance committee The committee is an advisory body to the Bank's supervisory council / management board in of accounting, compliance, audit, risk management, internal audit and control as well as in other areas of the audit committee competence as provided for by relevant existing documents.

The purpose and activities of the committee are to monitor, supervise and to provide recommendations and proposals to the supervisory council / management board regarding:

- efficiency of the Bank's internal audit, risk management and its internal audit systems;
- drafting of financial reports;
- implementation of audit and internal audit processes, independence and effectiveness of the internal audit, information provided by the internal audit on the reviews carried out, on the elimination of any drawbacks found and on the implementation of internal audit plans;
- appointing, repeated appointing and dismissal of the head of internal audit;
- audit of annual reports and consolidated annual reports;
- comprehensiveness of data of financial statements;
- appointing, repeated appointing and dismissal of the Bank's external auditor;
- establishing terms and remuneration to an external auditor;
- observance of the principles of independence and fairness by an auditor and an audit company performing an audit, annual assessment of their qualifications, experience, resources and efficiency;
- formation of policy related to non-audit services provided by an external auditor with the aim to ensure that rendering of said services would have no impact on the independence of such external auditor;
- internal audit regulations, current-year plan of the internal audit, lists of persons to whom any audit report or its summary version is provided and rules for providing a report;
- ensuring the resources allocated for the internal audit required for the implementation of set objectives and due qualifications of the internal audit employees for the fulfilment of their functions;
- enhancing the efficiency of the Bank's processes;
- meeting the requirements of legal acts and implementation of the principles of good practice of professional activities, initiation of periodical reviews with the aim to assess whether the Bank's activities are in line with the requirements of national laws, legal acts of supervisory authorities as well as any other legal acts or with the provisions of the Bank's the statute (articles of association) and of the Bank's activities strategy;
- approving the general audit plan of the work of the Bank's internal audit subdivision;
- other issues that fall within the competence of the committee according to the requirements of laws and legal acts as well as according to the policy and instructions of the Bank and/or the entire Group.

AUDIT AND COMPLIANCE COMMITTEE (31 December 2011)

MARK BARRY PAYNE
Chairman of the Committee. Employer: Skandinaviska Enskilda Banken AB (publ). No shares of the Bank held.

GÖRAN RASPE
External auditor. No shares of the Bank are held by the external auditor.

AUŠRA MATUSEVIČIENĖ
Employer: Skandinaviska Enskilda Banken AB, Vilnius Branch. No shares of the Bank held.

BEN WILSON
Employer: Skandinaviska Enskilda Banken AB (publ). No shares of the Bank held.

ARNOLDS ČULKSTENS
Employer: Skandinaviska Enskilda Banken AB, Vilnius Branch. No shares of the Bank held.

Since 27 April 2011, the Bank has a Remuneration Committee. Information on its composition and areas of activities is provided under Article 17 of the present Report.

21. Significant arrangements, the Issuer being a party thereto, which in case of any changes in the Issuer's controlling stake would take effect, change or discontinue

Such significant arrangements are envisaged under the Bank's loan agreements, however, parties thereto and relevant terms and conditions contained therein are deemed to be confidential information with regard to both the Bank and other parties, therefore, their disclosure could render major damage to the Bank.

22. Arrangements between the Issuer and members of its bodies or employees

On 10 February 2012, the administration of the Bank and representatives of the Bank employees signed an updated collective bargaining agreement at a two-year effective period. The collective bargaining agreement regulates labour relations as well as terms and conditions, defines mutual obligations of the employer and the employees, additional incentive measures for the employees as well as other labour relations terms and conditions on which the employees and the employer have mutually agreed, for instance, on a sum-total working hours time, calculation of the employment record, additional vacations, etc. The collective bargaining agreement has been signed by and between the administration of SEB Bank and representatives of the labour council. The labour council of the Bank consists of 15 employees of the bank elected by secret vote holding different positions at the bank. The collective bargaining agreement includes the terms and conditions of work and the aspects on which it may be directly agreed with the employer.

Consultations with the Bank's administration is one of the main areas activities of the labour council. During the consultations, in 2011 a new remuneration system was presented to the members of the labour council. The labour council periodically meets with the president of the Bank. At such meetings, implementation of the provisions of the collective bargaining agreement, future changes, also questions as well as observations from employees to members of the labour council are discussed.

There are no separate arrangements regarding severance pays executed with the Issuer's bodies, members of committees or employees, should they resign or be dismissed without a motivated reason.

23. Information on compliance with the Corporate Governance Code

The Bank, as an issuer of non-equity securities, abides by the recommendatory-character Corporate Governance Code on the management of companies listed NASDAQ OMX Vilnius, to which it adheres in substance. Reasons for the provisions that it does not adhere to are indicated in the Corporate Governance Code (see Annex 1). The Corporate Governance Code and other information on the practice of the governance of SEB Bank is announced at the Bank's website www.seb.lt and at the central database of regulated information of the market operator (Nasdaq OMX Vilnius stock exchange).

24. Information on detrimental transactions executed in the name of the Issuer over the reporting period

Over the reporting period, there were no detrimental transactions (that are not in line with the objectives of the company, the existing regular market conditions, in violation of the interests of shareholders or any other groups of persons, etc.) executed in the name of the Issuer that have had or that may in future have an adverse effect on the Issuer's activities or its performance, nor any transactions executed in conflict of interest of the duties of the Issuer's senior managers, controlling shareholders or of any other related persons against the Issuer with their private interests and/or other duties.

25. Data on information in pubic domain

The Issuer, whose securities are admitted for trading the regulated market of the Republic of Lithuania, provides the operator of the regulated market, where the Issuer's securities are traded in, i.e. Nasdaq OXM Vilnius, as well as the Lithuanian Securities Commission with the information on each material event in accordance with the procedure established by the Lithuanian Securities Commission. Information on each material event has to be made publicly available and provided to the central database of regulated information.

Over the reporting period, the Bank announced the following information on its material events:

On 12 January 2011, the Bank announced that member of the management board of SEB Bank Aušra Matusevičienė will take a new position in the SEB Group – at the Group's Operations and IT, she will be responsible for the IT and operations area in the Baltic countries and for the coordination and development of SEB branches in Riga and in Vilnius. She will start in her new position on 15 March 2011. Taking this into account, since the above-indicated date A. Matusevičienė will no longer hold the position of a member of the Management Board of SEB Bank.

On 4 February 2011, the Bank announced that, according to preliminary data, unaudited net loss sustained by SEB Bank in 2010 was LTL 12.1 million (EUR 3.5 million), and that by the SEB Bank Group – LTL 18.0 million (EUR 5.2 million). The result is calculated in accordance with the requirements set by the documents of the Bank of Lithuania and legal acts of the Republic of Lithuania. In 2009, audited net loss sustained by the Bank was LTL 1,546.2 million (EUR 447.8 million), and that by the Bank Group – LTL 1,427.5 million (EUR 413.43 million). SEB Bank's year 2011 result includes profit from sales earned in the first quarter of 2010 after assignment of shares of the Bank's subsidiary companies SEB Gyvybės Draudimas and Litectus to the SEB Group. The Bank Group's year 2010 result includes the operating result of Litectus in January and February, whereas the operating result of SEB Gyvybės Draudimas is not included.

On 3 March 2011, the Bank announced that it assigned a 100 per cent stake in its subsidiary company SEB Enskilda to SEB Bank's parent company Skandinaviska Enskilda Banken AB (publ). Taking into account that SEB Enskilda is licensed as a financial brokerage company and abiding by the provisions of Article 10 of the Law of the Republic of Lithuania on Markets in Financial Instruments, prior to the assignment of the shares an approval of the Securities Commission of the Republic of Lithuania to assign the shares was obtained. At the same time, shares in SEB Enskilda Latvia and SEB Enskilda Estonia were assigned. Such assignment of shares is aimed at concentrating investment banking services at the Merchant Banking Division of Skandinaviska Enskilda Banken AB (publ). This is expected to strengthen uniform management and coordination of activities within the international SEB Group. Said change will have no impact on customers of SEB Enskilda.

On 14 March 2011, the Bank announced about adjustment in the information announced on 12 January 2011 about the date of a change in the position of member of the Management Board of SEB Bank Aušra Matusevičienė – she will start in her new position within the SEB Group on 11 April 2011. At the SEB Group's Operations and IT, A. Matusevičienė will be responsible for the IT and operations area in the Baltic countries and for the coordination and development of SEB branches in Riga and in Vilnius. Taking this into account, A. Matusevičienė will hold the position of a member of the Management Board of SEB Bank until 8 April 2011 (previously announced date was 15 March 2011).

On 17 March 2011, the Bank announced that on 30 March 2011 a general annual meeting of shareholders will be convened. The shareholders meeting is initiated and convened by the management board of the Bank. The Bank is wholly owned by Skandinaviska Enskilda Banken AB (publ). The announced agenda of the meeting:

1. regarding the Bank's annual report;
2. regarding the opinion of the Bank's auditor;
3. regarding comments and proposals of the Bank's supervisory council;
4. regarding approving the collection of the Bank's year 2010 consolidated financial statements;
5. regarding distribution of the Bank's year 2010 profit (loss).

   Also, the management board of the Bank approved draft resolutions of the Bank's general annual meeting of shareholders.

On 25 March 2011, the Bank announced that its supervisory council has taken a decision to appoint, starting from 11 April 2011, Jonas Iržikevičius a new ember of the Management Board of SEB Bank. Jonas Iržikevičius willl start holding the position of a member of the management board only after a relevant permission of the Bank of Lithuania is obtained.

On 31 March 2011, the Bank announced that on 30 March 2011 SEB Bank's shareholders meeting took place, which adopted resolutions on all the issues on the agenda:

1. it familiarised with SEB Bank's consolidated annual report;
2. it familiarised with the report of SEB Bank's auditor;
3. it familiarised with the comments and proposals of the Supervisory Council of SEB Bank;
4. it approved the collection of SEB Bank's and the SEB Bank Group's year 2010 consolidated financial statements;
5. it approved distribution of the Bank's year 2010 profit (loss).

On 3 May 2011, the Bank announced that according to preliminary data, unaudited net profit earned by SEB Bank over the first quarter of 2011 was LTL 97.6 million (EUR 28.3 million), and that by the SEB Bank Group – LTL 174.1 million (EUR 50.4 million). The result is calculated according to the requirements set by the documents of the Bank of Lithuania and by relevant legal acts of the Republic of Lithuania. Over the first quarter of 2010, unaudited net loss sustained by the Bank was LTL 59.4 million (EUR 17.2 million), and that sustained by the Bank's Group – LTL 80.3 million (EUR 23.3 million). The Bank's result of the first quarter 2011 includes profit from sales of the Bank's subsidiary company SEB Enskilda after assignment of its shares to the SEB Group. The result of the first quarter of 2011 of the SEB Bank Group does not include the operating result of SEB Enskilda.

On 14 July 2011, the Bank announced that according to preliminary data unaudited net profit earned by SEB Bank over the first half-year of 2011 was LTL 199.5 million (EUR 57.8 million), and that earned by the SEB Bank Group – LTL 356.5 million (EUR 103.2 million). The result is calculated according to the requirements set by the documents of the Bank of Lithuania and by relevant legal acts of the Republic of Lithuania. Audited net loss sustained over the first half-year of 2010 by the Bank was LTL 77.0 million (EUR 22.3 million), and that sustained by the Bank Group – LTL 160.9 million (EUR 46.6 million). The Bank's result over the first half-year of 2011 includes profit from sales of the Bank's subsidiary company SEB Enskilda after assignment of its shares to the SEB Group. The result of the first half-year of 2011 of the SEB Bank Group does not include the operating result of SEB Enskilda.

On 27 October 2011, the Bank announced that, according to preliminary data, unaudited net profit earned by SEB Bank over three quarters of 2011 was LTL 246.7 million (EUR 71.4 million), and that earned by the SEB Bank Group – LTL 431.5 million (EUR 125.0 million). The result is calculated according to the requirements set by the documents of the Bank of Lithuania and by relevant legal acts of the Republic of Lithuania. Unaudited net loss sustained by the Bank over three quarters of 2010 was LTL 112.1 million (EUR 32.5 million), and that sustained by the Bank group – LTL 76.1 million (EUR 22.0 million). The Bank's result over three quarters of 2011 includes profit from sales of the Bank's subsidiary company SEB Enskilda after assignment of its shares to the SEB Group. The result of the three quarters of 2011 of the SEB Bank Group does not include the operating result of SEB Enskilda.

On 29 November 2011, the Bank announced that on 28 November 2011 state enterprise Indėlių ir Investicijų Draudimas ('Deposits and Investments Insurance Fund') announced that insurance compensations to private individuals who had deposits with Bank Snoras will be paid via SEB Bank. SEB Bank is also appointed for payment of insurance compensations to legal entities within Vilnius County. An agreement on payment of insurance compensations between SEB Bank and state enterprise Indėlių ir Investicijų Draudimas has not yet been executed, coordination of the terms and conditions of the agreement and preparatory work is in progress.

Also, over the reporting period the Bank made 14 public announcements of additional information (as per paragraph 5 of Article 25 of the Law of the Republic of Lithuania on Securities) and 5 public announcements of periodic information (as per Article 20 of the Law of the Republic of Lithuania on Securities).

President of SEB Bank	....	Raimondas Kvedaras
Head of Business Support Division and Chief Financial Officer of SEB Bank	....	Jonas Iržikevičius
Director of Finance Department of SEB Bank	....	Saulius Salda

Vilnius,
12 March 2011

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in LTL thousand unless otherwise stated)

The Group 2011	The Group 2010		Note	The Bank 2011	The Bank 2010
751,997	767,186	Interest income		680,314	692,681
(398,850)	(498,759)	Interest expenses		(364,335)	(459,219)
353,147	**268,427**	**Net interest income**	6	**315,979**	**233,462**
124,092	(119,346)	Impairment (losses) reversals on loans	7	124,092	271,654
201,630	(41,350)	Impairment (losses) reversals on lease portfolio	7	-	-
5,789	6,793	Provisions for guarantees and other off balance sheet items		5,789	6,793
-	(2)	Other impairment (losses)		-	(1)
331,511	**(153,905)**	**Total impairment (losses) reversals**		**129,881**	**278,446**
684,658	**114,522**	**Net interest income after impairment losses**		**445,860**	**511,908**
229,013	235,046	Fee and commission income	8	218,227	218,792
(61,948)	(64,605)	Fee and commission expenses	8	(61,431)	(62,365)
167,065	**170,441**	**Net fee and commission income**		**156,796**	**156,427**
(38,671)	(31,116)	Net losses on operations with debt securities and derivative financial instruments	10	(38,671)	(31,116)
1,121	2,788	Net gain on investment securities		1,399	3,061
(390)	-	Impairment loss on investment securities available for sale		(390)	-
(1,166)	30,137	Net gain (loss) on disposal of subsidiaries	25	6,376	58,238
-	-	Dividend income from subsidiaries	9	6,064	3,734
54,738	59,519	Net foreign exchange gain	11	54,778	59,490
6,113	18,633	Other income, net		5,020	16,102
21,745	**79,961**	**Net investment activities**		**34,576**	**109,509**
(140,201)	(131,201)	Staff costs	12	(134,415)	(122,909)
(203,477)	(177,874)	Other administrative expenses	13	(194,547)	(159,072)
529,790	**55,849**	**Operating profit**		**308,270**	**495,863**
-	(71,755)	Impairment loss on intangible assets	26	-	(71,755)
-	-	Impairment (loss)/reversal on investment in subsidiaries	25	107,000	(450,529)
529,790	**(15,906)**	**Profit (loss) before income tax**		**415,270**	**(26,421)**
(60,139)	(1,900)	Income tax benefit (expenses)	14	(35,508)	14,363
469,651	**(17,806)**	**Profit (loss) for the year from continuing operations**		**379,762**	**(12,058)**
-	(189)	(Loss)for the year from discontinued operations		-	-
469,651	**(17,995)**	**Net profit (loss) for the year**		**379,762**	**(12,058)**
		Attributable to:			
469,651	(17,995)	Equity holders of the parent		379,762	(12,058)
469,651	*(17,806)*	*(Loss) Profit for the year from continuing operations*		*379,762*	*(12,058)*
-	*(189)*	*(Loss) Profit for the year from discontinued operations*		-	-
-	-	Non controlling interest		-	-
-	-	*(Loss) Profit for the year from continuing operations*		-	-
-	-	*(Loss) Profit for the year from discontinued operations*		-	-
469,651	**(17,995)**			**379,762**	**(12,058)**

The accompanying notes on pages 24 to 96 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 12 March 2012 and signed by:

R. Kvederas
President

J. Iržikevičius
Head of Business Support Division, CFO

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in LTL thousand unless otherwise stated)

The Group 2011	The Group 2010		Note	The Bank 2011	The Bank 2010
469,651	**(17,995)**	**Net gain (loss) income for the year**		**379,762**	**(12,058)**
		Other comprehensive income:			
(4,157)	**3,956**	Net loss (gain) on available for sale assets	36	**(4,157)**	**3,956**
(4,157)	*3,956*	*- Net (loss) gain, before taxes*		*(4,157)*	*3,956*
3,075	*3,025*	Amortisation of financial assets revaluation reserve of reclassified financial assets	36	3,075	3,025
195	*(1,050)*	Income tax relating to the components of other comprehensive income	14	195	(1,050)
(887)	**5,931**	**Total other comprehensive income**		**(887)**	**5,931**
468,764	**(12,064)**	**Total comprehensive income**		**378,875**	**(6,127)**

The accompanying notes on pages 24 to 96 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 12 March 2012 and signed by:

R. Kvedaras
President

J. Iržikevičius
Head of Business Support
Division, CFO

AB SEB BANK

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2011
(All amounts in LTL thousand unless otherwise stated)

The Group 2011	The Group 2010		Note	The Bank 2011	The Bank 2010
		Assets			
634,922	428,427	Cash on hand		634,922	428,427
3,438,209	527,258	Balances with the Central Bank	16	3,438,209	527,258
2,718,507	1,177,833	Due from banks, net	17	2,718,507	1,177,833
52,911	164,895	Government securities available for sale	18	51,921	164,272
69,881	75,058	Financial assets at fair value through profit and loss	19	28,376	45,733
193,054	233,911	Derivative financial instruments	20	193,054	233,911
12,706	55,399	Loans to credit and financial institutions, net of impairment losses	21	439,302	506,636
15,649,121	15,669,307	Loans to customers, net of impairment losses	7, 22	15,678,432	15,680,730
1,673,486	1,694,691	Finance lease receivable, net of impairment losses	23	-	-
		Investment securities:			
1,588,260	1,629,290	– loans and receivables	24	1,588,260	1,629,290
376	1,276	– available for sale	24	376	1,276
14,148	13,832	– held to maturity	24	14,148	13,832
-	-	Investments in subsidiaries	25	224,900	121,616
132,970	148,733	Intangible fixed assets	26	132,730	148,554
33,121	46,004	Property, plant and equipment	27	32,357	45,289
841	2,581	Assets under operating lease	28	-	-
27,960	47,623	Non-current assets held for sale	44	29	29
40,702	51,474	Investment property	29	1,471	1,535
213,596	273,661	Deferred tax asset	14	157,440	192,654
147,390	316,576	Other assets, net of impairment losses	30	143,139	109,387
26,642,161	**22,557,829**	**Total assets**		**25,477,573**	**21,028,262**
		Liabilities			
32	38	Amounts owed to the Central Bank		32	38
10,135,681	9,295,615	Amounts owed to credit and financial institutions	31	9,176,873	7,915,364
239,686	334,427	Derivative financial instruments	20	239,686	334,427
12,152,999	9,643,341	Deposits from public	32	12,158,994	9,644,674
36,016	29,873	Accrued expenses and deferred income	35	33,659	26,190
-	-	Income tax payable		-	-
244,218	597,172	Subordinated loans	33	244,218	597,172
565,598	663,177	Debt securities in issue	34	565,598	663,177
937,172	135,008	Other liabilities and provisions	35	916,735	85,968
24,311,402	**20,698,651**			**23,335,795**	**19,267,010**
24,311,402	**20,698,651**	**Total liabilities**		**23,335,795**	**19,267,010**
		Equity			
		Equity attributable to equity holder of the parent	36		
1,034,575	1,034,575	Share capital		1,034,575	1,034,575
2,200	1,034	Reserve capital		2,200	2,200
(9,737)	(8,850)	Financial assets revaluation reserve		(9,737)	(8,850)
194,708	165,425	Legal reserve		191,184	163,221
12,497	10,846	General and other reserves		12,497	10,846
1,096,516	656,148	Retained earnings		911,059	559,260
2,330,759	1,859,178			2,141,778	1,761,252
-	-	**Non controlling interest in equity**		-	-
2,330,759	**1,859,178**	**Total equity**		**2,141,778**	**1,761,252**
26,642,161	**22,557,829**	**Total liabilities and equity**		**25,477,573**	**21,028,262**

The accompanying notes on pages 24 to 96 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 12 March 2012 and signed by:

R. Kvedaras
President

J. Iržikevičius
Head of Business Support Division, CFO

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in LTL thousand unless otherwise stated)

	Equity attributable to equity holder of the parent								
The Group	**Share capital**	**Reserve capital**	**Financial assets revaluation reserve (deficit)**	**Legal reserve**	**General and other reserves**	**Retained earnings**	**Total before noncontrolling interest**	**Non controlling interest**	**Total Equity**
31 December 2009	**1,034,575**	**1,034**	**(14,781)**	**135,160**	**9,778**	**359,129**	**1,524,895**	**-**	**1,524,895**
Net change in available for sale investments, net of deferred tax	-	-	2,906	-	-	-	2,906	-	2,906
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	3,025	-	-	-	3,025	-	3,025
Net profit for the year	-	-	-	-	-	(17,995)	(17,995)	-	(17,995)
Total comprehensive income	-	-	*5,931*	-	-	*(17,995)*	*(12,064)*	-	*(12,064)*
Shareholder's contribution	-	-	-	-	-	345,280	345,280	-	345,280
Share-based compensation	-	-	-	-	1,068	-	1,068	-	1,068
Transfers to reserves	-	-	-	30,265	-	(30,265)	-	-	-
31 December 2010	**1,034,575**	**1,034**	**(8,850)**	**165,425**	**10,846**	**656,148**	**1,859,178**	**-**	**1,859,178**
Net change in available for sale investments, net of deferred tax	-	-	(3,962)	-	-	-	(3,962)	-	(3,962)
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	3,075	-	-	-	3,075	-	3,075
Net profit for the year	-	-	-	-	-	469,651	469,651	-	469,651
Total comprehensive income	-	-	*(887)*	-	-	*469,651*	*468,764*	-	*468,764*
Sales of UAB *SEB Enskilda*	-	1,166	-	-	-	-	1,166	-	1,166
Share-based compensation	-	-	-	-	1,651	-	1,651	-	1,651
Transfers to reserves	-	-	-	29,283	-	(29,283)	-	-	-
31 December 2011	**1,034,575**	**2,200**	**(9,737)**	**194,708**	**12,497**	**1,096,516**	**2,330,759**	**-**	**2,330,759**

The accompanying notes on pages 24 to 96 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 12 March 2012 and signed by:

R. Kvedaras
President

J. Iržikevičius
Head of Business Support
Division, CFO

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in LTL thousand unless otherwise stated)

The Bank	Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total Equity
31 December 2009	**1,034,575**	**2,200**	**(14,781)**	**133,151**	**9,778**	**256,107**	**1,421,030**
Net change in available for sale investments, net of deferred tax	-	-	2,906	-	-	-	2,906
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	3,025	-	-	-	3,025
Net profit for the year	-	-	-	-	-	(12,058)	(12,058)
Total comprehensive income	-	-	*5,931*	-	-	*(12,058)*	*(6,127)*
Shareholder's contribution	-	-	-	-	-	*345,280*	*345,280*
Share-based compensation	-	-	-	-	*1,068*	-	*1,068*
Transfers to reserves	-	-	-	30,070	-	(30,070)	-
31 December 2010	**1,034,575**	**2,200**	**(8,850)**	**163,221**	**10,846**	**559,260**	**1,761,252**
Net change in available for sale investments, net of deferred tax	-	-	(3,962)	-	-	-	(3,962)
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	3,075	-	-	-	3,075
Net profit for the year	-	-	-	-	-	379,762	379,762
Total comprehensive income	-	-	*(887)*	-	-	*379,762*	*378,875*
Shareholder's contribution	-	-	-	-	-	-	-
Share-based compensation	-	-	-	-	1,651	-	1,651
Transfers to reserves	-	-	-	27,963	-	(27,963)	-
31 December 2011	**1,034,575**	**2,200**	**(9,737)**	**191,184**	**12,497**	**911,059**	**2,141,778**

The accompanying notes on pages 24 to 96 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 12 March 2012 and signed by:

R. Kvedaras
President

J. Irzikevičius
Head of Business Support Division, CFO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in LTL thousand unless otherwise stated)

The Group 2011	The Group 2010		Note	The Bank 2011	The Bank 2010
		Cash from operating activities			
734,432	774,794	Interest income received		662,593	698,822
(414,519)	(542,060)	Interest expenses paid		(378,033)	(498,168)
40,423	41,787	Net foreign currency exchange gain		40,372	41,795
14,315	17,732	Unrealised translation gain		14,406	17,695
4,638	25	Net gain in securities trading and financial instruments		4,638	25
(43,507)	7,972	Net (loss) gain in derivatives trading		(43,507)	7,971
174,596	189,188	Net commission and service income		163,234	172,648
(136,884)	(132,153)	Staff costs		(130,792)	(123,306)
(154,084)	(158,066)	Other payments		(149,371)	(142,851)
219,410	**199,219**	**Net cash from operating activities before change in operating assets**		**183,540**	**174,631**
		Changes in operating assets			
(857,489)	(11,145)	(Increase) in compulsory balances with the Central Bank		(857,489)	(11,145)
(1,885,165)	990,178	(Increase) decrease in due from banks and loans to credit and financial institutions		(1,860,524)	725,199
160,481	1,392,874	Decrease in loans to customers		142,099	1,389,873
450,914	728,733	Decrease of finance lease receivable		-	-
(31,461)	18,951	(Increase) decrease in other current assets		(35,227)	48,534
(2,162,720)	**3,119,591**	**Net change in operating assets**		**(2,611,141)**	**2,152,461**
		Changes in operating liabilities			
2,515,269	(27,655)	Increase (decrease) in deposits from public		2,519,931	(30,265)
796,584	57,405	Increase in accrued expenses, deferred income and other liabilities		836,236	34,090
3,311,853	**29,750**	**Net change in operating liabilities**		**3,356,167**	**3,825**
1,368,543	**3,348,560**	**Net cash from operating activities before income tax**		**928,566**	**2,330,917**
-	(222)	Income tax paid		-	-
1,368,543	**3,348,338**	**Net cash from operating activities after income tax**		**928,566**	**2,330,917**

(Continued)

The accompanying notes on pages 24 to 96 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in LTL thousand unless otherwise stated)

The Group 2011	The Group 2010		Note	The Bank 2011	The Bank 2010
		Cash flow from investing activities			
(8,883)	(65,554)	Acquisition of tangible and intangible fixed assets, net		(9,182)	(65,972)
(44,763)	(110,636)	Acquisition of Government securities available for sale		(44,763)	(110,636)
156,011	18,476	Sale of Government securities available for sale		156,379	18,476
8,194	65,068	Disposal of subsidiaries, net of cash disposed	25	10,092	72,063
-	-	Dividends received from subsidiaries		6,064	3,734
(4,156,970)	(2,713,832)	Acquisition of investment in other securities		(4,144,497)	(2,713,233)
4,166,431	2,756,106	Sale of investment in other securities		4,166,431	2,756,106
120,020	**(50,372)**	**Cash generated from (to) investing activities**		**140,524**	**(39,462)**
		Cash flow from (to) financing activities			
-	345,280	Shareholders' contributions		-	345,280
(6)	7	(Decrease) increase in amounts owed to the Central Bank		(6)	7
840,400	(4,320,558)	Increase (decrease) in amounts owed to credit and financial institutions		1,259,873	(3,314,046)
(352,186)	-	Decrease in subordinated loans		(352,186)	-
(11,872)	(13,233)	Interest paid on subordinated loans		(11,872)	(13,233)
-	(85,670)	Debt securities issued, net		-	(85,671)
76,698	-	Proceeds from own issued debt securities		76,698	-
(162,706)	-	Repurchased own issued debt securities		(162,706)	-
(6,128)	-	Interest paid for own issued debt securities		(6,128)	-
384,200	**(4,074,174)**	**Cash received from (used in) financing activities**		**803,673**	**(3,067,663)**
1,872,763	**(776,208)**	**Net increase (decrease) in cash**		**1,872,763**	**(776,208)**
1,523,655	**2,299,863**	**Cash 1 January**		**1,523,655**	**2,299,863**
3,396,418	**1,523,655**	**Cash 31 December**		**3,396,418**	**1,523,655**
		Specified as follows:			
2,184,595	131,133	Balance available for withdrawal with the Central Bank	16	2,184,595	131,133
29,812	395,858	Overnight deposits		29,812	395,858
634,922	428,427	Cash on hand		634,922	428,427
547,089	568,237	Current accounts with other banks		547,089	568,237
3,396,418	1,523,655			3,396,418	1,523,655

(Concluded)

The accompanying notes on pages 24 to 96 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 12 March 2012 and signed by:

R. Kvedaras
President

J. Iržikevičius
Head of Business Support Division, CFO

NOTE 1 GENERAL INFORMATION

AB SEB Bank (hereinafter - 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. As of 31 December 2011 the Bank had 55 customer service branches (as of 31 December 2010 – 57).

As of 31 December 2011 AB SEB Bank had 3 subsidiaries (as of 31 December 2010 – 4). The Bank and its subsidiaries thereafter are referred to 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 25.

The Bank's shares are not included in the main or secondary listings of the Nasdaq OMX Vilnius. As it is further disclosed in Note 36, the only shareholder and ultimate parent is Skandinaviska Enskilda Banken AB (publ), owning 100 percent of the Bank's shares.

These consolidated and stand-alone financial statements have been approved by the Board of the Bank on 12 March 2011. Neither the Bank's shareholders nor others have the power to amend the financial statements after issue.

NOTE 2 ADOPTION OF NEW AND REVISED STANDARDS

a) Amendments to existing standards and interpretations effective in 2011

During the reporting financial year, the Bank and the Group adopted the following newly announced and amended IFRS and IFRIC interpretations:

IAS 24 'Related Party Disclosures' (amended November 2009, effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities. As a result of the revised standard, the Bank and the Group now also discloses contractual commitments to purchase and sell goods or services to its related parties.

Improvements to International Financial Reporting Standards, issued in May 2010 – amendment to IFRS 7 (effective for annual periods beginning on or after 1 January 2011). IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period.

b) Amendments to existing standards and interpretations effective in 2011, but not relevant to the Bank and the Group

The following amendments to existing standards and interpretations have been adopted by the European Union (EU) and are mandatory for accounting periods beginning on or after 1 January 2011, but are not currently relevant to the Bank and the Group's operations:

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

Classification of Rights Issues – Amendment to IAS 32 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.

NOTE 2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Limited Exemption From Comparative IFRS 7 Disclosures for First-time Adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7.

Improvements to International Financial Reporting Standards, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1, IFRS 3, IAS 1, to IAS 21, IAS 28, IAS 31, IAS 32, IAS 34, IAS 39 and IFRIC 13.

c) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Bank and the Group

The following standards and amendments to existing standards have been published:

IFRS 9, Financial Instruments Part 1: Classification and Measurement (effective for annual periods beginning on or after 1 January 2015; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial instruments.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities; not yet adopted by the EU.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Ventures; not yet adopted by the EU.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 Investments in Associates; not yet adopted by the EU.

IFRS 13, Fair Value Measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs; not yet adopted by the EU.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements; not yet adopted by the EU.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures; not yet adopted by the EU.

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The amendment is not expected to have impact on the Bank and the Group's financial statements.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income; not yet adopted by the EU.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits; not yet adopted by the EU.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013). The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, Inventories, to the extent that they are realised in the form of inventory produced; not yet adopted by the EU.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria; not yet adopted by the EU.

NOTE 2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Disclosures – Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off; not yet adopted by the EU.

Recovery of Underlying Assets – Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2012). The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value; not yet adopted by the EU.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2011). The amendments will provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs, and guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time; not yet adopted by the EU.

The Bank and the Group is yet to assess the full impact of the above newly issued standards and amendments.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

a) Basis of Presentation

These financial statements are presented in national currency of Lithuania, Litas (LTL). Amounts are presented in thousand LTL, unless otherwise stated. Since 2 February 2002 the exchange rate of the Litas was pegged to Euro at a rate of 3.4528 LTL = 1 EUR.

The books and records of the Group companies and the Bank 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 designated at fair value, held for trading 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.

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 and Associates

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. Investments in subsidiaries in the Bank's stand alone financial statements are accounted for using the cost method less impairment and are initially recognized at cost.

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 non-controlling 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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

c) Consolidated Subsidiaries and Associates (continued)

Associates. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 Investment in Associates, which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change. The Group has no interests in associates through which it carries on its business.

d) Foreign Currency Translation

Items included in the financial statements of each of the Group's and the Bank'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.

e) Income Recognition

Interest income and expense are recognised for all interest bearing instruments on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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 on pro-rata basis over the period the service is provided, depending on fees' substance. The pro-rata 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 and stand-alone 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 other comprehensive income and is subsequently recognised in the income statement together with the deferred gain or loss.

Deferred tax assets and liabilities are offset only if the Bank and the Group has a legally enforceable right to set off current tax assets against current tax liabilities and only if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

g) Share-based Payments

Group company employees receive compensation through share-based incentive programmes. The compensation consists of employee stock options (equity instruments), entitling the holder to subscribe for shares in the parent company at a future date and at a predetermined price. The total value of issued stock options is amortised over the vesting period. The vesting period is comprised of the period from the date on which the options are issued until the stipulated vesting conditions are satisfied. The total value of issued stock options equals the fair value per option, multiplied by the number of options that are expected to become exercisable, taking the vesting conditions into consideration. The allocation of this amount implies that profit and loss are impacted at the same time as the corresponding increase in equity is recognised. At each balance sheet date an assessment is made to determine if the vesting conditions will be fulfilled and the extent to which they will be fulfilled. If the conclusion of this assessment is that a lower number of options are expected to be vested during the vesting period, then the previously expensed amounts are reversed through profit or loss. This implies that in cases in which the vesting conditions are not fulfilled, no costs will be reported in profit or loss, seen over the entire vesting period.

h) Dividend Income

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

i) Cash

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 in the statement of cash flows.

j) Financial Assets

The Group and the Bank 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 assets 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 and the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s and the Bank’s management has the positive intention and ability to hold to maturity. Were the Group and the Bank 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 and the Bank. 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 and the Bank 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 in other comprehensive income, 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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

j) Financial Assets (continued)
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.

k) 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 and the Bank 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 recognised immediately in income statement.

l) Derivative Financial Instruments

Derivative financial instruments including foreign exchange contracts, currency swaps and other derivative financial instruments are initially recognised in the statement of financial position 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 (except for pricing options). 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 (losses) on derivative 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 and the Bank 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 and the Bank 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 and the Bank 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. The Bank has fair value hedge relationship where hedging instrument is interest rate swap (see note 20) and hedged item Lithuanian Government Eurobonds (accounted for as available for sale investments until 1 July 2008 and vast majority being reclassified to loans and receivables category starting from 1 July 2008). Hedged risk is the change in fair value of the bonds due to market interest rate volatility. After the reclassification to loans and receivables category fair value hedge relationships were continued.

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 (see note 10).

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.

m) Impairment of Financial Assets

Assets carried at amortised cost: the Group and the Bank assesses at each financial position 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 and the Bank 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 and the Bank 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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

m) Impairment of Financial Assets (continued)

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.

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 the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Group and the Bank. 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 uncollectible, 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.

Provision rates for homogeneous credit groups are settled not only by applying statistical methods based on historical data, but also using expert judgement adjustments. Probability of default (PD) and loss given default (LGD) parameters are set once per year. Expert judgement parameters can be updated more frequently depending on objective evidences of portfolio quality development and other particularities of credit portfolio, that are not taken into consideration by quantitative assessment of risk parameters based on historical data.

Assets carried at fair value: The Group and the Bank 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.

n) 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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

o) Operating Lease – the Group/the Bank 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.

p) Operating Lease – the Group/the Bank as a Lessee

To date, the leases entered by the Group and the Bank 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.

q) Fixed Assets

In the balance sheet fixed assets are recorded at cost less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment 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 and the Bank for the respective asset category:

Asset category	**Depreciation/ amortisation period (years)**
Software	3-8
Other intangible fixed assets	3
Buildings	8-25
Vehicles	5
Computer hardware and cash counting equipment	3-8
Office equipment	5
Other property, plant and equipment	5

r) Investment Property

Investments in properties held in order to receive rental income and/or for capital appreciation are reported as investment properties. Investment property is initially measured at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at historical cost less accumulated depreciation and impairment losses. Expected useful lives of the investment property groups:

Asset category	**Depreciation period (years)**
Buildings	25-50

s) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's the Bank'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.

t) 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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

u) 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.

v) 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.

w) 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.

x) Debt Securities in Issue

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 and the Bank 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.

y) 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 and the Bank 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 and the Bank 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 and the Bank 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.

z) Fiduciary Activities

The Group and the Bank 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.

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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

aa) Financial Guarantees Contracts (continued)

Any increase in the liability relating to guarantees is taken to the income statement under 'provisions for guarantees'. Income from financial guarantees is recognised in income statement as fee and commission income.

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

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors of the Bank. The Board of Directors is responsible for resources allocation and performance assessment of the operating segments and has been identified as the chief operating decision maker.

ee) Critical Accounting Estimates and Judgements in Applying Accounting Policies

Impairment Losses on Loans and Advances
The Bank and the Group review their 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 and the Bank make 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 net present value of estimated cash flows differs by +/-5%, the provision for the Bank would be estimated higher or lower by LTL 60,386 thousand (2010: LTL 73,198 thousand), of which LTL 45,049 thousand (2010: 58,485 LTL thousand) coming from loans and advances assessed individually and LTL 15,337 thousand (2010: LTL 14,713 thousand) from loans and advances assessed on pool basis. The provision for the Group would be estimated higher or lower by LTL 68,971 thousand of which LTL 50,824 thousand coming from loans and advances assessed individually and LTL 18,147 thousand from loans and advances assessed on pool basis.
Renegotiated loans are no longer considered to be past due.

Initial Recognition of Related Party Transactions
In the normal course of business the Group and the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment 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 judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Finance Leases and Derecognition of Financial Assets
Management applies judgment 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 amounts to at least substantially all of acquisition value of the asset leased at the inception of the lease; the leasor transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at a price that is expected to be substantially lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; the lease term is for the major part of the economic life of the asset even if title is not transferred; or the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

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. For pricing of options Black-Scholes model is used, with only observable market data (eg. historical volatility, market interest rates, market prices).

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

ee) CriticalAccounting Estimates and Judgements in Applying Accounting Policies (continued)

Impairment testing of investments into Bank's subsidiaries

Continuing losses of AB SEB Lizingas triggered impairment tests of cost of investment into this subsidiary during previous years. As of December 2009, net assets of this subsidiary were negative and cost of investment was reduced to zero value. However impairment tests carried at the end of the years 2010 and 2011 revealed the need of impairment loss reversals amounting to LTL 83,000 thousand and LTL 107,000 thousand respectively.

When calculating recoverable amount of this investment as at 31 December 2011 value in use method has been used. Key management assumptions in calculating value in use included:

- Cash flow projections for years 2012-2014 has been based on budgets approved by the Group's management;
- Cash flow projections for years 2015-2020 has been based on best estimate of Lithuanian economic and financial sector development;
- Discount rate has been established as cost of equity from independent experts of Nomura bank and equalled 12.2 per cent. Change in discount rate by 1bp would result in change of recoverable amount by LTL 1.8 million.

Value in use method has been used due to uncertainties in estimating fair value of the leasing business because:

- there is no active market for proper leasing market price estimation;
- current economical situation influenced low liquidity of finance sector;
- on selling such an asset instability in the market might require liquidity discount which is difficult to estimate.

Tax and deferred tax

The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out an inspection of the Bank's ang Group's books and accounting records and impose additional taxes or fines. The Bank's and the Group's management is not aware of any circumstances that might result in a potential material liability in this respect.

The deferred tax assets recognised at 31 December 2011 have been based on future profitability assumptions of the Bank and the Group over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

Fair Values

The table below summarises the carrying amounts and fair values of those financial assets and liabilities presented on the Group's statement of financial position at amortized cost:

	2011		2010	
	Book value	**Fair value**	**Book value**	**Fair value**
Balances with the Central Bank	3,438,209	3,438,037	527,258	527,251
Due from banks, net	2,718,507	2,708,805	1,177,833	1,177,920
Loans to credit and financial institutions, net of impairment losses	12,706	12,667	55,399	54,602
Loans to customers, net of impairment losses				
Public sector	455,600	428,242	492,855	470,255
Corporate	8,103,020	7,965,640	7,749,076	7,694,722
Private individuals	7,090,501	6,655,766	7,427,376	7,192,266
Investment securities - loans and receivables	1,588,260	1,569,535	1,629,290	1,614,197
Finance lease receivable, net of impairment losses	1,673,486	1,642,735	1,694,691	1,675,471
Investment securities – held to maturity	14,148	12,792	13,832	12,336
Total financial assets valued at amortised cost	**25,094,437**	**24,434,219**	**20,767,610**	**20,419,020**
Amounts owed to the Central Bank	32	32	38	38
Amounts owed to credit and financial institutions	10,135,681	10,245,995	9,295,615	9,493,476
Current and demand deposits	7,922,423	7,922,421	6,514,840	6,514,840
Term deposits from the public	4,230,576	4,192,154	3,128,501	3,116,559
Subordinated loans	244,218	239,979	597,172	578,632
Debt securities in issue	565,598	578,622	663,177	667,769
Total financial liabilities valued at amortised cost	**23,098,528**	**23,179,203**	**20,199,343**	**20,371,314**

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

Fair Values (continued)

The table below summarises the carrying amounts and fair values of those financial assets and liabilities presented on the Bank's statement of financial position at amortized cost:

	2011		2010	
	Book value	**Fair value**	**Book value**	**Fair value**
Balances with the Central Bank	3,438,209	3,438,037	527,258	527,251
Due from banks, net	2,718,507	2,708,805	1,177,833	1,177,920
Loans to credit and financial institutions, net of impairment losses	439,302	415,665	506,636	489,236
Loans to customers, net of impairment losses				
Public sector	455,600	428,242	492,855	470,255
Corporate	8,132,331	7,994,622	7,760,499	7,706,094
Private individuals	7,090,501	6,655,766	7,427,376	7,192,266
Investment securities - loans and receivables	1,588,260	1,569,535	1,629,290	1,614,197
Investment securities – held to maturity	14,148	12,792	13,832	12,336
Total financial assets valued at amortised cost	**23,876,858**	**23,223,464**	**19,535,579**	**19,189,555**
Amounts owed to the Central Bank	32	32	38	38
Amounts owed to credit and financial institutions	9,176,873	9,275,805	7,915,364	8,093,612
Current and demand deposits	7,928,418	7,928,418	6,516,173	6,516,173
Term deposits from the public	4,230,576	4,192,154	3,128,501	3,116,559
Subordinated loans	244,218	239,979	597,172	578,632
Debt securities in issue	565,598	578,622	663,177	667,769
Total financial liabilities valued at amortised cost	**22,145,715**	**22,215,010**	**18,820,425**	**18,972,783**

Loans to credit and financial institutions, net of impairment losses, 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 losses 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.

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 public The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active 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 discounted cash flows using interest rates for new debts with similar remaining maturity.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

Fair Values (continued)

The table below summarises the hierarchy of fair value measurement of asset and liabilities presented on the Group's statement of financial position at fair value:

	Fair value measurement at the end of reporting period based on:		
31 December 2011	**Quoted price in active markets for the same instrument**	**Valuation techniques for which all significant inputs are based on observable market data**	**Valuation techniques for which any significant input is not based on observable market data**
Government securities available for sale	52,911	-	-
Financial assets at fair value through profit and loss	28,376	-	41,505
Derivative financial instruments (assets)	-	193,054	-
Investment securities – available for sale	176	-	200
Derivative financial instruments (liabilities)	-	(239,686)	-
Total	**81,463**	**(46,632)**	**41,705**

	Fair value measurement at the end of reporting period based on:		
31 December 2010	**Quoted price in active markets for the same instrument**	**Valuation techniques for which all significant inputs are based on observable market data**	**Valuation techniques for which any significant input is not based on observable market data**
Government securities available for sale	164,895	-	-
Financial assets at fair value through profit and loss	45,733	-	29,325
Derivative financial instruments (assets)	-	233,911	-
Investment securities – available for sale	1,076	-	200
Derivative financial instruments (liabilities)	-	(334,427)	-
Total	**211,704**	**(100,516)**	**29,525**

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

Fair Values (continued)

The table below summarises the hierarchy of fair value measurement of asset and liabilities presented on the Bank's statement of financial position at fair value:

	Fair value measurement at the end of reporting period based on:		
31 December 2011	**Quoted price in active markets for the same instrument**	**Valuation techniques for which all significant inputs are based on observable market data**	**Valuation techniques for which any significant input is not based on observable market data**
Government securities available for sale	51,921	-	-
Financial assets at fair value through profit and loss	28,376	-	-
Derivative financial instruments (assets)	-	193,054	-
Investment securities – available for sale	176	-	200
Derivative financial instruments (liabilities)	-	(239,686)	-
Total	**80,473**	**(46,632)**	**200**

	Fair value measurement at the end of reporting period based on:		
31 December 2010	**Quoted price in active markets for the same instrument**	**Valuation techniques for which all significant inputs are based on observable market data**	**Valuation techniques for which any significant input is not based on observable market data**
Government securities available for sale	164,272	-	-
Financial assets at fair value through profit and loss	45,733	-	-
Derivative financial instruments (assets)	-	233,911	-
Investment securities – available for sale	1,076	-	200
Derivative financial instruments (liabilities)	-	(334,427)	-
Total	**211,081**	**(100,516)**	**200**

Financial Risk Management Policy

Definition of Risk
SEB Bank Group 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 Group and 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 and the Bank takes on exposure to credit risk which is the risk that a counterpart will be unable to pay amounts in full when due. The definition of credit risk also encompasses so called counterparty's country risk which arises due to the risk of settlements between parties according to trading operations.
The Group's and the Bank's credit policy is based on the principle 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.

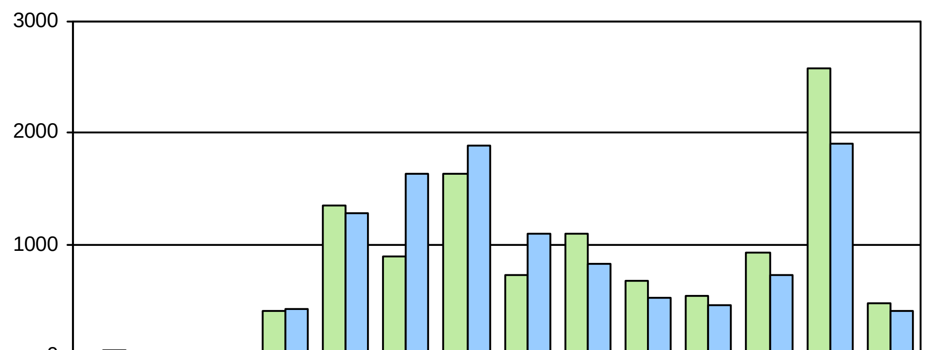
NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

Financial Risk Management Policy (continued)

Credit Risk Classification
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. Credits that exceed 1 million LTL and/or entities's turnover exceed 10 million LTL are classified as Non-retail positions. The Bank uses the master scale of 16 risk classes classifying the credit risk of Non-Retail borrowers with 1 representing the lowest default probability and 16 representing the default. Risk classes 1-7 are considered "investment grade. The borrowers falling into the range of risk class 1-10 are treated as normal business loans. The borrowers of risk class 11 and 12 are defined as 'restricted business' and 'special observation' respectively, while the borrowers in risk classes 13-16 are classified as 'watch list'. Risk classes are used as important parameters in the credit policy, the credit approval process, credit risk measurement and management, monitoring and reporting of credit risk. The credit risk assessment is based on analysis of Non-retail borrower's ability to meet interest and principal amount repayment obligations, covering business and financial risk. Financial ratios and peer group comparison are used in the risk assessment. 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. High-risk exposures are subject to more frequent reviews. The objective is to identify at an early stage, credit exposures with increased risk for loss, and work together with the customer towards a constructive solution that enables the Group and the Bank to reduce or avoid credit losses as well as maintain long term relationship with the customer.

Scoring models are used in credit risk assessment process of Retail exposures, i.e small enterprises and private individuals. 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 information on distribution of individually appraised loans and leasing portfolio (in LTL million) by risk class is as follows:



	1-4	5	6	7	8	9	10	11	12	13	14	15	16	SC*
Dec '10	41	25	0	408	1351	887	1640	718	1096	675	544	919	2580	480
Dec '11	57	0	0	423	1275	1638	1883	1101	826	526	449	726	1904	398

**SC – small corporates*

The analysis in the table above did not include private individuals LTL 7,482 million (2010: LTL 7,836 million), accrued interest LTL 15 million (2010: LTL 15 million) and provisions for impairment losses LTL 1,380 million (2010: LTL 1,851 million).

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

Financial Risk Management Policy (continued)

Impairment Losses on Loans and Advances
The Group, aiming at fair and timely assessment of credit impairment, performs regular credit revision: corporate loans within risk class 8 and higher are revised no less than once a year; revisions of 9—10 risk class corporate loans are performed no less than once a half-year; corporate loans within risk class 11—16, no less than once a quarter; revisions within homogeneous groups (loans to small enterprises, mortgage loans, consumer loans, debts to credit institution) are performed automatically on quarterly basis. Revisions in case of corporate loans within the bank's established increased risk economy sectors, irrespective of the established borrower risk class, are performed not less than once a quarter. After loan assessment at the established frequency, relevant loss events are identified and relevant loan impairment is assessed. When assessing whether a loss due to impairment must be included in the profit (loss) account, the Group assesses, whether before the determination of the loan impairment there exist any data in proof that it is possible to establish a decrease in forecasted future cash flows of a company within the credit portfolio. The following data are assessed: whether there has or has not been a material deterioration in the borrower's financial standing as well as information related to the assessment of business perspective. A borrower's cash flows are forecasted using a conservative approach, and loan security measures are taken into account – probable adverse change in the assets value, previously sustained losses as well as objective evidence of impairment of the loans within the portfolio.
Methodology and presumptions used in the forecast of future cash flows and time with the aim to reduce a mismatch between forecasted and actual losses are revised on regular basis.
The criteria that the Group and the Bank uses to determine that there is objective evidence of an impairment loss include:

- Downgrading to internal risk class 16;
- 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 parties 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.
- Declaration of bankruptcy.

The Credit Committee has to carry out an extraordinary credit revision, if the borrower is more than 14 days in delay to repay the loan or pay interest or in case at least one of the above-referred criteria indicating a possible decrease in the loan value is applicable to the borrower/loan. In case loan impairment is found, individual provisions must be formed for a potential credit loss. A loan is classified as an impaired loan, if there is objective evidence that one or more loss events have occurred, and if, as an effect of such events, there has been a change in the estimated future cash flows, for instance, the customer has significant financial problems, fails to pay interest or the principal when due. Loans are not classified as impaired loans, if the collateral value covers the loan and interest.

Provisions for portfolio corporate loans are formed for loans, in case of which no individual impairment has been found, however, a probability exists that impairment will occur, but no such fact has been found yet. Loans with similar risk characteristics are classified taking into account the main factors that have an impact on a borrower's – legal entity's – credit risk, and impairment provisions for them are formed taking into account the default probability within relevant classes.

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 collective provisions for the homogeneous credit groups are formed by applying statistical methods based on historical data about the observed default frequencies of the borrowers (PD) and the suffered losses (LGD) within the corresponding homogeneous credit group and expert judgment adjustments considering historical experience of adequacy of provisioning levels, objective evidences of portfolio quality development, adequacy of security of particular portfolio and other particularities of credit portfolio, that are not taken into consideration by quantitative assessment.

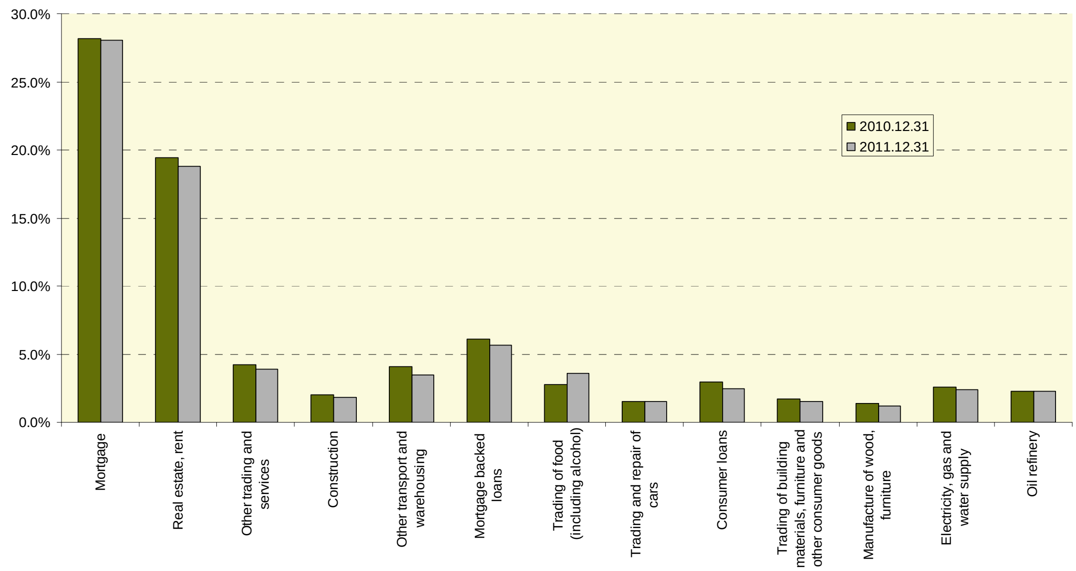
An impairment loss is reported as a write off, if it is deemed impossible to collect the contractual amounts due that have not been paid and/or are expected to remain unpaid, or if it is deemed impossible to recover the carrying amount by selling any collateral provided. In other cases, a specific provision 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, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

Financial Risk Management Policy (continued)

Credit Risk Limits and Monitoring

The Group and the Bank 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 are established by Assets and liability management committee (ALCO) and regularly monitored by risk control function. As of 31 December 2011, credit exposures are in compliance with limits set by ALCO. The table below represents the development of credit exposures within particular industries.



NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

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 and the Bank as of 31 December 2011 and 2010, 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.

The Group			The Bank	
2011	**2010**		**2011**	**2010**
3,438,209	527,258	Balances with the Central Bank	3,438,209	527,258
2,718,507	1,177,833	Due from banks, net	2,718,507	1,177,833
52,911	164,895	Government securities available for sale	51,921	164,272
28,376	45,733	Financial assets at fair value through profit and loss	28,376	45,733
193,054	233,911	Derivative financial instruments	193,054	233,911
12,706	55,399	Loans to credit and financial institutions, net of impairment losses	439,302	506,636
		Loans to customers, net of impairment losses		
3,122,070	3,237,688	Property management	3,122,070	3,237,688
4,980,950	4,511,388	Other corporate	5,010,261	4,522,811
455,600	492,855	Public	455,600	492,855
6,148,727	6,321,266	Mortgage loans	6,148,727	6,321,266
941,774	1,106,110	Other private individuals	941,774	1,106,110
		Finance lease receivable, net of impairment losses		
1,585,463	1,565,048	Corporate	-	-
72,101	104,762	Private individuals	-	-
15,922	24,881	Other	-	-
		Investment securities:		
1,588,260	1,629,290	- loans and receivables	1,588,260	1,629,290
14,148	13,832	- held to maturity	14,148	13,832
119,889	85,092	Other financial assets, net of impairment losses	118,601	78,566
2,840,055	2,791,151	Credit risk exposures relating to off-balance sheet items	2,918,903	2,742,945
28,328,722	**24,088,392**	**Total as of 31 December**	**27,187,713**	**22,801,006**

Maximum Exposure to Credit Risk Before Collateral Held or Other Credit Enhancements (continued)

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group and the Bank resulting from both its loan and advances portfolio and debt securities. For information on loan ratings see Credit risk management note information above. 100% of investments in Government securities compose of Government debt securities that have an investing 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 historical simulation 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 a daily basis using 1 day's assessment evaluation period and 99 percent probability level. Historical data are based on 250 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 41.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

Financial Risk Management Policy (continued)

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 2011 and 2010 are presented in Note 40.

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 2011 and 2010 is presented in Note 41.

Liquidity Risk
Liquidity risk is the risk that the Group and the Bank 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 and the Bank 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 and the Bank 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 and the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

Financial Risk Management Policy (continued)

Liquidity Risk (continued)

The Group's undiscounted non-derivative financial liability analysis as of 31 December 2011:

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	1,412,087	846,738	1,666,900	5,611,275	1,104,408	10,641,409
Deposits from public	9,727,539	1,066,383	1,239,171	121,964	22,325	12,177,382
Debt securities in issue and subordinated loans	9,462	17,228	27,826	176,344	916,253	1,147,113
Other financial liabilities	856,151	18,394	3,577	5,362	8,181	891,665
Total undiscounted non- derivative financial liabilities	**12,005,239**	**1,948,743**	**2,937,473**	**5,914,945**	**2,051,168**	**24,857,569**
Off balance sheet commitments related to lending	2,440,543	92,390	106,870	160,854	14,532	2,815,189
Rental off balance sheet commitments	8,580	8,488	16,692	70,123	58,395	162,278
Capital commitments	18,374	5,482	1,010			24,866

Rental off balance sheet commitments for the period 1 – 5 years are LTL 86,894 thousand; for the period over 5 years LTL 41,624 thousand.

The Group's undiscounted non-derivative financial liability analysis as of 31 December 2010:

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	785,309	61,611	755,976	7,493,447	712,497	9,808,839
Deposits from public	8,197,232	732,008	637,761	63,772	28,825	9,659,597
Debt securities in issue and subordinated loans	82,088	23,068	34,309	149,999	1,086,632	1,376,097
Other financial liabilities	59,702	11,198	6,220	3,871	13,984	94,975
Total undiscounted non- derivative financial liabilities	**9,124,331**	**827,884**	**1,434,266**	**7,711,089**	**1,841,938**	**20,939,508**
Off balance sheet commitments related to lending	1,789,212	356,810	109,001	150,099	126,160	2,531,282
Rental off balance sheet commitments	8,527	8,027	15,708	72,261	63,938	168,461
Capital commitments	256,018	3,839	-	-	-	259,857

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

Financial Risk Management Policy (continued)

The Bank's undiscounted non-derivative financial liability analysis as of 31 December 2011:

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	1,495,963	840,181	1,031,988	5,172,673	1,104,408	9,645,213
Deposits from public	9,733,534	1,066,383	1,239,171	121,964	22,325	12,183,376
Debt securities in issue and subordinated loans	9,462	17,228	27,826	176,344	916,253	1,147,113
Other financial liabilities	856,403	15,718	1,386	634	6,563	880,704
Total undiscounted non- derivative financial liabilities	**12,095,362**	**1,939,510**	**2,300,370**	**5,471,614**	**2,049,550**	**23,856,406**
Off balance sheet commitments related to lending	2,544,256	92,390	106,870	160,854	14,533	2,918,903
Rental off balance sheet commitments	8,468	8,376	16,469	69,191	58,395	160,899

Rental off balance sheet commitments for the period 1 – 5 years are LTL 85,962 thousand; for the period over 5 years LTL 41,624 thousand.

The Bank's undiscounted non-derivative financial liability analysis as of 31 December 2010:

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	901,921	52,005	612,650	6,073,696	712,497	8,352,769
Deposits from public	8,198,565	732,008	637,761	63,772	28,825	9,660,931
Debt securities in issue and subordinated loans	82,088	23,068	34,309	149,999	1,086,632	1,376,096
Other financial liabilities	33,812	8,984	1,875	304	11,392	56,367
Total undiscounted non- derivative financial liabilities	**9,216,386**	**816,065**	**1,286,595**	**6,287,771**	**1,839,346**	**19,446,163**
Off balance sheet commitments related to lending	2,189,801	154,571	110,122	162,109	126,330	2,742,933
Rental off balance sheet commitments	8,376	7,855	15,363	71,895	63,777	167,266

Undiscounted derivative instruments analysis for the Group and the Bank as of 31 December 2011:

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
IRS	186,389	67,804	198,954	723,327	1,165,486	2,341,960
FX forwards	16,297	1,502	3,370	451	-	21,620
FX swaps	577,223	257,008	7,039	515	-	841,785
Equity options	73	1,360	1,116	4,060	608	7,217
Interest rate options	632	2,008	2,925	1,166	211	6,942
Currency options	-	1	78	-	-	79
Total outflows	**780,614**	**329,683**	**213,482**	**729,519**	**1,166,305**	**3,219,603**
Inflows:						
IRS	177,051	29,719	204,140	712,908	1,167,608	2,291,426
FX forwards	16,413	1,468	3,471	445	-	21,797
FX swaps	572,266	255,068	6,581	532	-	834,447
Equity options	73	1,360	1,116	4,060	608	7,217
Interest rate options	632	2,008	2,925	1,166	211	6,942
Currency options	-	1	78	-	-	79
Total inflows	**766,435**	**289,624**	**218,311**	**719,111**	**1,168,427**	**3,161,908**

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

Financial Risk Management Policy (continued)

Undiscounted derivative instruments analysis for the Group and the Bank as of 31 December 2010:

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
IRS	101,522	79,261	112,098	527,012	841,940	1,661,833
FX forwards	14,370	3,983	1,021	-	-	19,374
FX swaps	411,841	18,278	32,480	-	-	462,599
Equity options	299	509	1,175	7,641	722	10,346
Interest rate options	1,367	1,204	2,697	8,047	1	13,316
Currency options	6,396	683	2,289	-	-	9,368
Total outflows	**535,795**	**103,918**	**151,760**	**542,700**	**842,663**	**2,176,836**
Inflows:						
IRS	90,289	26,472	125,408	471,336	856,241	1,569,746
FX forwards	14,392	3,869	1,067	-	-	19,328
FX swaps	410,932	18,429	32,510	-	-	461,871
Equity options	299	509	1,175	7,641	722	10,346
Interest rate options	1,367	1,204	2,697	8,047	1	13,316
Currency options	6,396	683	2,289	-	-	9,368
Total inflows	**523,675**	**51,166**	**165,146**	**487,024**	**856,964**	**2,083,975**

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 38 and shows the remaining period from the balance sheet date to the contractual maturity.

The maturity of the leasing portfolio is presented in Note 38 and shows the remaining period from the balance sheet date to the contractual maturity.

Capital Adequacy
Capital adequacy is assessed by capital adequacy ratio – capital base compared to risk weighted assets.

General Regulations for the Internal Capital Adequacy Assessment Process (ICAAP) came into effect as from 1 January 2007. In accordance to these regulations, banks' should identify all risks, not only the ones assessed in capital adequacy calculation, to select risk assessment models, estimate it, choose tools for risks management, and to set a goal for limits. Accordingly, the Bank set a goal to achieve ICAAP result and continuously have had capital adequacy higher than 12 per cent during 2011.

The Bank's and the Financial Group's capital adequacy ratios during 2011 were as follows:

	31 March 2011	30 June 2011	30 September 2011	31 December 2011
The Bank	16.58%	14.64%	13.79%	12.94%
The Financial Group	16.25%	14.21%	13.43%	13.59%

For further information see Note 39.

Operational Risk
Operating 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 several operational risk management tools: Operational risk policy, ORSA (Operational Risk Self Assessment) and RTSA (Rogue Trading Self Assessment) instructions, Insurance policy, requirements for Contingency planning and Contingency plan, mechanism of Internal Controls, New Product Approval Process.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES (CONTINUED)

Financial Risk Management Policy (continued)

Operational Risk (continued)

The Bank has launched and continuously uses SEB Group-wide operational risk management system ORMIS. In the Operational Risk Management System, each employee can register operational risk cases, and heads at all levels can assess, monitor and manage risks and produce various reports. With the aim to achieve a most comprehensive operational risk assessment, ORSA and RTSA methodologies are applied, internal controls are undertaken, unit and process risks are assessed on regular basis.

Other two systems related to the SEB Group's operational risk management – NAMIS and LDRPS – are used in the development of new products and/or services as well as in the formation of activities continuity plans of the subdivisions.

The Bank has its Operational Risk Commission aimed at improving the operational risk management and at ensuring proper cooperation among risk managers and subdivisions with control functions.
The Bank's management board is provided with quarterly operational risk reports containing an overview of new operational risk cases found, efficiency of the operational risk management instruments used as well as other risks.

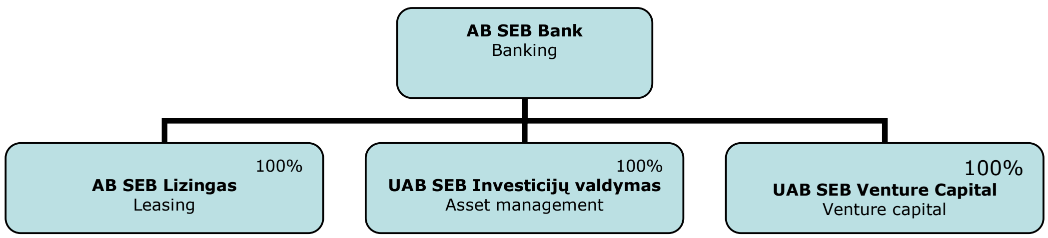
Stress Testing
Stress tests and scenario analysis are widely used to identify high-risk areas and relationships including concentration risks, its risk drivers and to evaluate the combined effect of shocks in the market. Stress tests provide an indication of the potential size of losses that could arise 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). Due to the fact that global credit crisis continued during the year 2011 the stress testing exercises were performed more frequently. The stress testing of the Group is part of Internal Capital Assessment Process (ICAAP).

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.

Recent Volatility in Global Financial Markets
The world economy is still characterised by great uncertainty. The European debt crisis continues to unfold. Rescue measures undertaken so far have not been enough to restore confidence. Necessary austerity programmes are being implemented in various countries, yet mistrust and the resulting high borrowing costs remain. Meanwhile the banking system is under pressure due to higher capital requirements and write-downs of assets.
Despite the uncertainty in the Eurozone and in the global markets expectations among Lithuanian businesses were better compared to 2010.
Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's and the Bank's business in the current circumstances.

NOTE 4 GROUP'S STRUCTURE AND OPERATIONS

Organizational structure of AB SEB Bank Group as of 31 December 2011 was as follows:



On 3 March 2011 100% of subsidiary UAB SEB Enskilda shares were sold to the Bank's parent company Skandinaviska Enskilda Banken AB (publ), for the amount of LTL 10,092 thousand.

For more information see note 25.

NOTE 5 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors of the Bank. The Board of Directors is responsible for resources allocation and performance assessment of the operating segments and has been identified as the chief operating decision maker.

Chief operating decision maker analyses the Group's profit (loss), total assets and total liabilities using the same measures as presented for the financial reporting purposes.

Eliminations from total segments' assets and liabilities amounting to LTL 3,209,052 thousand relate to elimination of intra-segment financing amounts.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

Information about revenues from external customers for each product and service delivered by the Bank and the Group is not disclosed as such information is not analysed on the Group level and therefore it is not available and the cost to develop it would be excessive.

For management and reporting purposes, the Group is organised into the following business groupings:

Baltic Division has overall responsibility for providing retail services to all types of companies and individuals. Baltic division offers its clients solutions in the areas of:
- Lending;
- Leasing and factoring products;
- Liquidity management and payment services;
- Private Banking – which serves the higher end of the private individual segment with wealth management services and advisory services.

All depreciation and amortization expenses (except for Asset Management) are attributed to this segment.

The Merchant Banking division has overall responsibility for servicing large and medium-sized companies, financial institutions, banks, and commercial real estate clients. Merchant Banking offers its clients integrated investment and corporate banking solutions, including the investment banking activities. Merchant Banking's main areas of activity include:
- Lending and debt capital markets;
- Trading in equities, currencies, fixed income, derivatives and futures;
- Advisory services, brokerage, research and trading strategies within equity, fixed income and foreign exchange markets;
- Cash management;
- Custody and fund services;
- Venture capital.

NOTE 5 SEGMENT INFORMATION (CONTINUED)

The Asset Management division's main business area is Institutional Clients division – which provides asset management services to institutions, foundations and life insurance companies and is responsible for the investment management, marketing and sales of SEB's mutual funds.

The division offers a full spectrum of asset management and advisory services and its product range includes equity and fixed income, private equity, real estate and hedge fund management.

The Treasury division is overall responsible for cash management, liquidity management and internal financing between the Group divisions.

Operations and IT divisions are the Group's internal segments responsible for providing operations support and processing, as well as information technologies services for all Group's divisions. In addition, Operations divisions handles bookings, confirmations, payments and reconciliations, and customer service and support.

Staff Functions division have dedicated responsibilities in order to support the business units within own area of expertise: HR, finance, marketing and communication, credits and risk control, security, procurement and real estate, compliance, internal audit.

The geographical areas are not defined by the Group. All activities of the Group are performed on the territory of Republic of Lithuania. Revenues and expenses for services related to major non resident customers are immaterial for the purpose of these financial statements and are not presented to the chief operating decision maker.

NOTE 5 SEGMENT INFORMATION (CONTINUED)

Business segments of the Group for the year ended 31 December 2011 were as follows:

	Baltic Division	**Merchant Banking**	**Asset Management**	**Treasury**	**Operations**	**Staff Functions**	**Information Technologies**	**Eliminations**	**Total Group**
Interest income	764,548	901	150	508,729	-	-	-	(519,944)	**754,384**
- *Internal*	120,336	5	124	399,479	-	-	-	(519,944)	**-**
- *External*	644,212	896	26	109,250	-	-	-	-	**754,384**
Interest expence	(467,830)	(813)	(7)	(503,384)	-	-	-	519,944	**(452,090)**
- *Internal*	*(399,608)*	*(813)*	*(7)*	*(119,516)*	-	-	-	*519,944*	**-**
- *External*	*(68,222)*	-	-	*(383,868)*	-	-	-	-	***(452,090)***
Net commission income	154,122	44	11,952	(1,226)	-	-	-	-	**164,892**
- *Internal*	*9,265*	*(1)*	*(8,138)*	*(1,126)*	-	-	-	-	**-**
- *External*	*144,857*	*45*	*20,090*	*(100)*	-	-	-	-	***164,892***
Net financial income	69,108	(296)	(3)	533	-	-	-	-	**69,342**
Net other income	(4,675)	-	52	365	(3)	(29)	-	-	**(4,290)**
Net operating income	**515,273**	**(164)**	**12,144**	**5,017**	**(3)**	**(29)**	**-**	**-**	**532,238**
Total staff costs and other administrative expenses	(298,293)	(988)	(3,586)	(623)	1,078	2,750	5,180		**(294,482)**
Depreciation and amortisation	(32,150)	(44)	(128)	(3)	(999)	(968)	(5,180)		**(39,472)**
Capital losses	(5)	-	-	-	-	-	-	-	**(5)**
Total reversal of impairment losses	331,511	-	-	-	-	-	-	-	**331,511**
Profit before income tax	**516,336**	**(1,196)**	**8,430**	**4,391**	**76**	**1,753**	**-**	**-**	**529,790**
Income tax benefit (expenses)	(60,288)	172	(23)	-	-	-	-	-	**(60,139)**
Net profit for the year	**456,048**	**(1,024)**	**8,407**	**4,391**	**76**	**1,753**	**-**	**-**	**469,651**
Total Assets	**18,833,394**	**52,199**	**22,166**	**10,943,454**	**-**	**-**	**-**	**(3,209,052)**	**26,642,161**
Total Liabilities	**16,505,598**	**53,223**	**12,832**	**10,948,800**	**-**	**-**	**-**	**(3,209,051)**	**24,311,402**
Acquisition of intangible assets and property, plant and equipment	*17,102*	-	*8*	-	-	-	-	-	*17,110*

NOTE 5 SEGMENT INFORMATION (CONTINUED)

For the year ended, 31 December 2011 reconciliation between Group's Segment reporting and financial statements is presented below:

		Eliminations		
	Segment Reporting	**Interest income from Hedged L&R**	**Other reconciling entries**	**Financial Statements**
Interest income	754,384		(2,387)	751,997
Interest expence	(452,090)	52,339	901	(398,850)
Net commission income	164,892	-	2,173	167,065
Net financial income	69,342	(52,339)	(558)	16,445
Net other income	(4,290)	-	9,590	5,300
Net operating income	**532,238**	**-**	**9,719**	**541,957**
Total staff costs and other administrative expenses	(294,482)	-	(8,822)	(303,304)
Depreciation and amortisation	(39,472)		(897)	(40,369)
Capital losses	(5)	-		(5)
Total reversal of impairment losses	331,511	-		331,511
Profit before income tax	**529,790**	**-**	**-**	**529,790**
Income tax benefit (expenses)	(60,139)		-	(60,139)
Profit for the year from discontinued operations			-	-
Net profit for the year	**469,651**	**-**	**-**	**469,651**

NOTE 5 SEGMENT INFORMATION (CONTINUED)

Business segments of the Group for the year ended 31 December 2010 were as follows:

	Baltic Division	Merchant Banking	Asset Management	Treasury	Operations	Staff Functions	Information Technologies	Eliminations	Total Group
Interest income	808,689	15,528	166	511,283	-	-	-	(565,436)	**770,230**
- Internal	141,034	8,116	139	416,147	-	-	-	(565,436)	**-**
- External	667,655	7,412	27	95,136	-	-	-	-	**770,230**
Interest expence	(554,780)	(7,449)	-	(563,703)				565,413	**(560,519)**
- Internal	(414,936)	(2,119)	-	(148,358)	-	-	-	565,413	**-**
- External	(139,844)	(5,330)	-	(415,345)	-	-	-	-	**(560,519)**
Net commission income	147,497	14,134	10,257	(1,221)	-	-	-	-	**170,667**
- Internal	7,888	2,742	(9,504)	(1,126)	-	-	-	-	**-**
- External	139,609	11,392	19,761	(95)	-	-	-	-	**170,667**
Net financial income	14,031	71,499	-	12	-	-	-	-	**85,542**
Net other income	35,609	4,896	26	11	-	-	50,014	(50,158)	**40,398**
Net operating income	**451,046**	**98,608**	**10,449**	**(53,618)**	**-**	**-**	**50,014**	**(50,181)**	**506,318**
Total staff costs and other administrative expenses	(255,084)	(19,685)	(4,374)	(480)	937	1,241	(43,339)	50,181	**(270,603)**
Depreciation and amortisation	(86,880)	(1,061)	(84)	(3)	(845)	(1,569)	(7,476)		**(97,918)**
Capital (losses)	11	-	-	-	-	-	-	-	**11**
Total impairment losses	(153,934)	-	-	-	-	-	-	-	**(153,934)**
Loss before income tax	**(44,841)**	**77,862**	**5,991**	**(54,101)**	**92**	**(328)**	**(801)**	**-**	**(16,126)**
Income tax benefit (expenses)	(2,666)	405	392	-	-	-	-	-	**(1,869)**
Net loss for the year	**(47,507)**	**78,267**	**6,383**	**(54,101)**	**92**	**(328)**	**(801)**	**-**	**(17,995)**
Total Assets	18,667,937	439,140	22,039	10,414,063	-	-	-	(6,985,350)	**22,557,829**
Total Liabilities	16,831,065	360,873	15,049	10,477,014	-	-	-	(6,985,350)	**20,698,651**
Acquisition of intangible assets and property, plant and equipment	*66,797*	-	*42*	-	-	-	-	-	*66,839*

NOTE 5 SEGMENT INFORMATION (CONTINUED)

For the year ended, 31 December 2010 reconciliation between Group's Segment reporting and financial statements is presented below:

		Eliminations			
	Segment Reporting	**Interest income from Hedged L&R**	**Life Insurance and Litectus Adjustments**	**Other reconciling entries**	**Financial Statements**
Interest income	770,230	-	-	(3,044)	767,186
Interest expence	(560,519)	60,431		1,329	(498,759)
Net commission income	170,667	-	-	(226)	170,441
Net financial income	85,542	(60,431)	30,137	24,713	79,961
Net other income	40,398	-	(30,137)	(10,261)	-
Net operating income	**506,318**	**-**	**-**	**12,511**	**518,829**
Total staff costs and other administrative expenses	(270,603)	-	220	(11,205)	(281,588)
Depreciation and amortisation	(97,918)			(1,324)	(99,242)
Capital losses	11	-		(11)	-
Total impairment losses	(153,934)	-	-	29	(153,905)
Loss before income tax	**(16,126)**	**-**	**220**	**-**	**(15,906)**
Income tax benefit (expenses)	(1,869)	-	(31)	-	(1,900)
Profit for the year from discontinued operations	-	-	(189)	-	(189)
Net loss for the year	**(17,995)**	**-**	**-**	**-**	**(17,995)**

NOTE 6 NET INTEREST INCOME

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
751,997	767,186	Interest income:	680,314	692,681
2,788	2,132	on balances with Central Banks	2,788	2,132
14,998	14,861	on loans and advances to credit institutions	20,092	21,549
577,744	586,740	on loans and advances to customers	573,915	582,761
78,908	81,611	on government securities - loans and receivables	78,908	81,611
72,922	77,187	on finance leasing portfolio	-	-
3,279	3,196	on debt securities available for sale	3,253	3,169
1,358	1,459	on debt securities, designated at fair value	1,358	1,459
(398,850)	(498,759)	Interest expenses:	(364,335)	(459,219)
(249,947)	(243,303)	on amounts owed to credit and financial institutions	(215,432)	(203,759)
(42,446)	(132,167)	on deposits from the public	(42,446)	(132,171)
(32,883)	(54,107)	on debt securities	(32,883)	(54,107)
(31,545)	(27,953)	on subordinated loans	(31,545)	(27,953)
(42,029)	(41,229)	deposits insurance expenses	(42,029)	(41,229)
353,147	**268,427**	**Total net interest income**	**315,979**	**233,462**

NOTE 7 IMPAIRMENT LOSSES ON LOANS, FINANCE LEASING RECEIVABLE AND OTHER ASSETS

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
9	8	Impairment losses on loans to credit and financial institutions charge for the year, net	9	391,008
124,038	(119,487)	Impairment losses on loans to customers charge for the year, net	124,038	(119,487)
45	133	Recovered written off loans	45	133
124,092	**(119,346)**	**Impairment losses on loans, net**	**124,092**	**271,654**

Changes in impairment losses during the year 2011 were as follows:

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
1,465,427	1,460,762	Impairment losses on loans as of 1 January (note 22)	1,463,927	1,459,262
(124,038)	119,487	Impairment losses charged to income statement by customer category, net:	(124,038)	119,487
(64,254)	*(1,182)*	*Other corporate*	*(64,254)*	*(1,182)*
(76,075)	*(1,393)*	*Property management*	*(76,075)*	*(1,393)*
21,025	*92,909*	*Mortgage*	*21,025*	*92,909*
(4,734)	*29,153*	*Other private individuals*	*(4,734)*	*29,153*
-	2,232	Loans recovered to balance sheet	-	2,232
-	*1,641*	*Other corporate*	-	*1,641*
-	*591*	*Property management*	-	*591*
(132,223)	(117,855)	Loans written off:	(132,223)	(117,855)
(71,299)	*(86,178)*	*Other corporate*	*(71,299)*	*(86,178)*
(60,419)	*(31,432)*	*Property management*	*(60,419)*	*(31,432)*
(505)	*(245)*	*Private individuals*	*(505)*	*(245)*
20	801	Effect of change in exchange rate	20	801
1,209,186	**1,465,427**	**Impairment losses on loans as of 31 December**	**1,207,686**	**1,463,927**

Impairment losses on loans relate to loans to customers are specified in Note 22.

As of 31 December 2011 the Bank had LTL 2,178,180 thousand of individually impaired loans, gross of impairment losses and deferred administration fee (2010: LTL 2,936,145 thousand). As of 31 December 2011 accrued interest on these loans amounted to LTL 614 thousand (2010: LTL 1,544 thousand). Accordingly, individually impaired loans to credit and financial institution amounted to LTL 285 thousand (no accrued interest) gross of impairment losses and deferred administration fee (2010: LTL 361 thousand (no accrued interest)). Deferred administration fee amounted to LTL 463 thousand for individually impaired loans to customers and LTL 1 thousand for loans to credit and financial institution.

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

Interest income on these loans for the year ended 31 December 2011 amounted to LTL 34,774 thousand (2010: LTL 43,303 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	
2011	**2010**		**2011**	**2010**
170,216	383,526	Impairment losses on finance lease portfolio	-	-
35	36	Impairment losses on other assets	35	36
170,251	**383,562**	**Impairment losses on finance lease portfolio and other assets as of 31 December**	**35**	**36**

Changes in impairment losses for finance lease portfolio and other assets related to lease portfolio for the year ended 31 December 2011 and 2010 were as follows:

The Group			The Bank	
2011	**2010**		**2011**	**2010**
(182,060)	67,351	Impairment losses on finance lease portfolio charged to income statement	-	-
(2,495)	(400)	Investment property impairment loss	-	-
2,022	(16,029)	Impairment losses on foreclosed assets	-	-
(19,097)	(9,572)	Result from sales of foreclosed assets according to terminated lease portfolio agreements	-	-
(201,630)	**41,350**	**Impairment losses on finance lease portfolio and other assets related to lease portfolio, net**	**-**	**-**

The Group			The Bank	
2011	**2010**		**2011**	**2010**
383,526	444,704	Impairment losses on finance lease portfolio as of 1 January (note 23)	-	-
(182,060)	67,351	Impairment losses charged to income statement, net:	-	-
(181,765)	*64,862*	*Corporate*	-	-
(295)	*2,489*	*Private individuals*	-	-
(31,250)	(128,529)	Finance leasing receivable written off	-	-
(31,247)	*(128,146)*	*Corporate*	-	-
(3)	*(383)*	*Private individuals*	-	-
170,216	**383,526**	**Impairment losses on finance lease portfolio as of 31 December**	**-**	**-**

Impairment losses on finance lease receivable are specified in Note 23.

NOTE 8 NET FEE AND COMMISSION INCOME

The Group			The Bank	
2011	**2010**		**2011**	**2010**
68,019	62,101	For money transfer operations	68,019	62,101
90,176	86,673	For payment cards services	90,176	86,673
8,838	11,014	For operations with securities	8,838	11,014
61,980	75,258	Other income on services and commissions	51,194	59,004
229,013	**235,046**	**Income on services and commissions**	**218,227**	**218,792**
(1,988)	(1,859)	For money transfer operations	(1,904)	(1,859)
(44,791)	(44,827)	For payment cards services	(44,791)	(44,827)
(2,613)	(2,484)	For operations with securities	(2,613)	(2,484)
(12,556)	(15,435)	Other expenses on services and commissions	(12,123)	(13,195)
(61,948)	**(64,605)**	**Expenses on services and commissions**	**(61,431)**	**(62,365)**

NOTE 9 DIVIDEND INCOME FROM SUBSIDIARIES

	2011	2010
UAB SEB Investicijų Valdymas	6,064	3,734
Total dividend income	**6,064**	**3,734**

NOTE 10 NET LOSSES ON FINANCIAL ASSETS AND DERIVATIVE INSTRUMENTS ACCOUNTED FOR AT FAIR VALUE

The Group			The Bank	
2011	2010		2011	2010
4,483	6,306	Realised result from operations with debt securities in trading portfolio	4,483	6,306
93	393	Unrealised result from operations with debt securities in trading portfolio	93	393
2,319	1,139	Result of available for sale portfolio designated for fair value hedge	2,319	1,139
(40,558)	(22,406)	Government securities - loans and receivables, designated for fair value hedge	(40,558)	(22,406)
(13,520)	(34,119)	Result of interest rate swap designated as hedging instrument	(13,520)	(34,119)
(11,591)	20,016	Result of other derivatives	(11,591)	20,016
20,103	(2,445)	Result from other trading securities	20,103	(2,445)
(38,671)	**(31,116)**	**Net losses on financial assets and derivative instruments accounted for at fair value**	**(38,671)**	**(31,116)**

NOTE 11 NET FOREIGN EXCHANGE GAIN

The Group			The Bank	
2011	2010		2011	2010
40,423	41,787	Gain from foreign exchange trading	40,372	41,795
14,315	17,732	Unrealised translation gain	14,406	17,695
54,738	**59,519**	**Net gain on foreign exchange**	**54,778**	**59,490**

NOTE 12 STAFF COSTS

The Group			The Bank	
2011	2010		2011	2010
104,933	97,053	Salaries and wages	100,533	90,746
35,268	34,148	Social security expenses (defined contribution plan cost)	33,882	32,163
140,201	**131,201**	**Total staff costs**	**134,415**	**122,909**

The following numbers of full-time personnel were employed by the Group's companies as of 31 December 2011 and 2010:

	2011	2010
AB SEB bankas	1,968	2,009
UAB SEB Lizingas	40	45
UAB SEB Investicijų Valdymas	13	13
UAB SEB Enskilda	n/a	9
UAB SEB Venture Capital	2	2
Total employees	**2,023**	**2,078**

Several employees of the Bank are also employed by subsidiary companies and vice versa.

NOTE 13 OTHER ADMINISTRATIVE EXPENSES

The Group			The Bank	
2011	**2010**		**2011**	**2010**
42,888	47,802	Rent and maintenance of premises	41,936	46,948
17,098	18,360	Depreciation property, plant and equipment	16,812	18,032
1,100	506	Depreciation of investment property	64	64
21,185	13,574	Audit and consulting expenses	20,954	13,099
35,113	20,747	Office equipment maintenance	34,419	19,984
10,808	12,568	Communication expenses	10,515	11,986
20,550	17,856	Payments for servicing organizations	19,446	16,415
7,439	7,100	Transport expenses	7,091	6,613
7,336	6,267	Advertising and promotion expenses	7,190	5,904
21,273	7,133	Amortisation of intangible assets	21,126	6,988
1,383	4,640	Other than income taxes	1,078	1,535
898	1,324	Depreciation of assets under operating lease	-	-
1,576	2,238	Employees training expenses	1,542	2,119
2,102	1,776	Insurance of banking operations	2,102	1,776
300	444	Charity and sponsorship	300	444
12,428	15,539	Other expenses	9,972	7,165
203,477	**177,874**	**Total other administrative expenses**	**194,547**	**159,072**

NOTE 14 INCOME TAX EXPENSE

The Group			The Bank	
2011	**2010**		**2011**	**2010**
-	-	Current year tax charge	-	-
99	(634)	Previous years related tax charge	99	(103)
60,040	2,534	Deferred tax credit	35,409	(14,260)
60,139	**1,900**	**Total income tax charge**	**35,508**	**(14,363)**

Previous years related tax charge accounted for in 2011 LTL 99 thousand for the the Group and the Bank (2010: LTL (634) thousand for the Group and LTL (103) thousand for the Bank) represents adjustment updating profit tax payable figure estimated at year end.

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

The Group			The Bank	
2011	**2010**		**2011**	**2010**
529,790	(15,906)	Profit (loss) before tax	415,270	(26,421)
79,469	(2,386)	Tax calculated at a tax rate of 15%	62,291	(3,963)
(83,017)	(14,600)	Income not subject for tax	(65,777)	(18,582)
63,588	19,520	Expenses not deductible for tax purposes	38,895	8,285
99	(634)	Correction of previous period income tax	99	(103)
60,139	**1,900**	**Total income tax charge**	**35,508**	**(14,363)**

Starting from the year 2010 income tax rate in Lithuania is 15 percent.

Deferred tax

The Group			The Bank	
2011	**2010**		**2011**	**2010**
273,661	277,245	Assets at 1 January	192,654	179,444
(60,040)	(2,534)	Income statement charge	(35,409)	14,260
(220)	-	Deferred tax related to disposed subsidiary	-	-
195	(1,050)	Other comprehensive income	195	(1,050)
213,596	**273,661**	**Asset (liablity) at 31 December**	**157,440**	**192,654**

NOTE 14 INCOME TAX EXPENSE (CONTINUED)

As of 31 December 2011 and 2010 deferred income tax was calculated using 15 percent income tax rate.

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
		Deferred tax assets		
1,718	1,524	Revaluation of available for sales securities through equity	1,718	1,524
156	41	Revaluation of securities	71	-
24,392	40,019	Amortisation and depreciation	13,965	24,072
3,258	3,041	Accrued expense	2,939	2,762
27,390	41,385	Impairment losses	7,800	-
	19	Deferred income	-	-
167,829	201,668	Tax loss carried forward	142,094	178,332
224,743	**287,697**	**Deferred tax assets, net**	**168,587**	**206,690**
		Deferred tax liability		
5,795	9,012	Revaluation of available for sale securities through income statement	5,795	9,012
	15	Revaluation of trade securities		15
5,352	5,009	Revaluation of derivatives	5,352	5,009
11,147	**14,036**	**Deferred tax liability, net**	**11,147**	**14,036**

As of 31 December 2011 the deferred tax asset related to tax losses recognised by the Bank is LTL 142,094 thousand of which LTL 6,829 thousand related to taxable losses from transactions with securities and derivatives. Deferred tax assets accounted for in the Group's financial statements are: in the amount of LTL 24,896 thousand is related to tax losses of subsidiary AB SEB Lizingas; in the amount of LTL 839 thousand is related to tax losses of subsidiary UAB SEB Venture capital, out of which taxable losses from transactions with securities and derivatives are LTL 267 thousand. Tax losses could be offset with taxable profits for unlimited time except for losses from transactions with securities and derivatives (non financial institutions). Losses from transactions with securities and derivatives can be offset with analogous taxable profit during 5 years.

In the Management opinion the whole amount of the Group's and the Bank's deferred tax asset will be recovered after more then 12 months from the date of these financial statements.

The amount of unused tax losses carried forward for the Group and the Bank is as follows:

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
		Unused tax losses		
1,118,856	1,344,461	Tax loss carried forward, unlimited use	947,291	1,188,884
1,118,856	**1,344,461**	**Total unused tax losses**	**947,291**	**1,188,884**

As of 31 December 2011 and 2010 income tax effect relating to components of other comprehensive income was as follows:

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
(4,157)	3,956	Fair value gains (losses) on available for sale investment securities before tax amount	(4,157)	3,956
195	(1,050)	Tax (expenses) benefit	195	(1,050)
(3,962)	**2,906**	**Fair value gains on available for sale investment securities, net of tax amount**	**(3,962)**	**2,906**

NOTE 15 EARNINGS PER SHARE

	The Group	
	2011	**2010**
Net (loss) profit from continuing operations attributable to the shareholders	469,651	(17,806)
Weighted average number of shares (000s)	15,441	15,441
Basic and diluted earnings per share (LTL)	**30.42**	**(1.15)**

	The Group	
	2011	**2010**
Net profit from discontinued operations attributable to the shareholders	-	(189)
Weighted average number of shares (000s)	15,441	15,441
Basic and diluted earnings per share (LTL)	-	**(0.01)**

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 16 BALANCES WITH THE CENTRAL BANKS

The Group			The Bank	
2011	**2010**		**2011**	**2010**
489,624	396,125	Obligatory reserves	489,624	396,125
763,990	-	Target deposits	763,990	-
2,184,595	131,133	Balance available for withdrawal	2,184,595	131,133
3,438,209	**527,258**	**Total balances with the Central Bank**	**3,438,209**	**527,258**

Half of obligatory reserves and the rest of balance, available for withdrawal, are non-interest bearing according to Central Bank of Lithuania regulations. Obligatory reserves comprise 4 percent (4 percent in 2010) of balance of public deposits with tenors not longer than 2 years calculated using data from the last day of the previous month.

NOTE 17 DUE FROM BANKS

The Group			The Bank	
2011	**2010**		**2011**	**2010**
547,089	568,237	Current accounts	547,089	568,237
29,812	395,858	Overnight deposits	29,812	395,858
2,141,606	213,738	Term deposits	2,141,606	213,738
2,718,507	**1,177,833**	**Total**	**2,718,507**	**1,177,833**

NOTE 18 GOVERNMENT SECURITIES AVAILABLE FOR SALE

The Group		The Bank
65,818	**As of 1 January 2010**	65,194
110,636	Additions	110,636
(19,787)	Disposals	(19,759)
3,196	Interest income	3,169
1,139	Result of available for sale portfolio designated for fair value hedge	1,139
3,893	Change in revaluation reserve in equity	3,893
164,895	**As of 1 January 2011**	164,272
45,427	Additions	44,763
(159,199)	Disposals	(158,876)
3,279	Interest income	3,253
2,319	Result of available for sale portfolio designated for fair value hedge	2,319
(3,810)	Change in revaluation reserve in equity	(3,810)
52,911	**As of 31 December 2011**	**51,921**

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.

NOTE 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group			The Bank	
2011	**2010**		**2011**	**2010**
919	493	Financial assets held for trading - equity instruments	919	493
27,457	45,240	Financial assets held for trading - securities of Government of Republic of Lithuania	27,457	45,240
41,505	29,325	Financial assets designated at fair value (at initial recognition): venture capital investments in associates	-	-
69,881	**75,058**	**Total financial assets designated at fair value**	**28,376**	**45,733**

Financial assets designated at fair value (at initial recognition) represent AB SEB bank subsidiary's UAB *SEB Venture capital* investments in associates. Upon initial recognition it is designated as at fair value through profit or loss because this investment is managed and it's performance is evaluated on a fair value basis in accordance with investment strategy. UAB SEB Venture capital business is oriented to short and middle term profit from increase in fair value of investments.

The table below presents movement of financial assets designated at fair value.

The Group		The Bank
28,999	**As of 1 January 2010**	-
599	Additions	-
-	Disposals	-
(273)	Revaluation	-
29,325	**As of 1 January 2011**	-
12,473	Additions	-
-	Disposals	-
(293)	Revaluation	-
41,505	**As of 31 December 2011**	**-**

The revaluation result on designated at fair value financial assets is accounted in income statement under net gain (loss) on investment securities.

NOTE 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The table below presents an analysis of trading debt securities by rating agency designation at 31 December 2011, based on Standard & Poor's ratings or their equivalent:

	Securities of Government of Republic of Lithuania
BBB	27,457
Total	**27,457**

NOTE 20 DERIVATIVE FINANCIAL INSTRUMENTS

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 note 3 (l).

	Notional amount		Fair value	
31 December 2011	**Purchase**	**Sale**	**Assets**	**Liabilities**
Foreign exchange derivatives				
Currency forwards	182,629	179,584	11,080	187
Currency swaps	834,447	834,447	1,103	8,684
Put options	2,173	2,173	61	62
Call options				
Interest rate derivatives				
Futures	6,560	-	-	76
Interest rate swaps	4,525,058	4,525,058	148,644	149,255
Interest rate swaps for hedging purposes	1,149,682	1,149,682	-	77,471
Currency interest rate swaps	4,114,249	4,114,249	28,088	-
Interest rate options	552,382	552,382	(3,020)	(3,020)
Equity derivatives				
Index linked debt securities option	185,506	185,506	5,383	5,347
Derivative part of index linked deposit	-	-	82	-
Other derivatives				
Commodity options	22,584	22,584	1,633	1,624
Total derivatives assets/liabilities	**11,575,270**	**11,565,665**	**193,054**	**239,686**

	Notional amount		Fair value	
31 December 2010	**Purchase**	**Sale**	**Assets**	**Liabilities**
Foreign exchange derivatives				
Currency forwards	114,075	113,069	1,730	1,382
Currency swaps	461,871	462,599	668	1,705
Put options	32,917	32,588	786	531
Call options	2,951	3,144	230	129
Interest rate derivatives				
Futures	8,632	8,632	1	-
Interest rate swaps	4,137,150	4,137,150	120,456	120,834
Interest rate swaps for hedging purposes	1,387,925	1,387,925	-	130,707
Currency interest rate swaps	4,066,470	4,066,470	31,100	-
Interest rate options	596,937	596,937	3,201	3,201
Equity derivatives				
Index linked debt securities option	299,095	299,095	72,607	72,911
Derivative part of index linked deposit	-	-	105	-
Other derivatives				
Commodity options	20,297	20,297	3,027	3,027
Total derivatives assets/liabilities	**11,128,320**	**11,127,906**	**233,911**	**334,427**

NOTE 21 LOANS TO CREDIT AND FINANCIAL INSTITUTIONS

Receivable for interest rate and currency interest rate swaps amounting to LTL 148,272 thousand are due from the counterparties with internal risk classes that fall under the range from 7 till 14. The rest LTL 28,460 thousand of interest rate and currency interest rate swaps are due from the Parent company with internal risk class 2.

The table below presents loans to credit and financial institutions split by counterparty country.

The Group			The Bank	
2011	**2010**		**2011**	**2010**
393	41,009	Lithuania	426,989	492,246
2,977	175	JAE	2,977	175
2,625	3	Sweden	2,625	3
1,694	2,588	Portugal	1,694	2,588
1,440	-	Russia	1,440	-
1,439	9,031	Belarus	1,439	9,031
992	-	Azerbaijan	992	-
849	1,634	Great Britain	849	1,634
318	260	Czech Republic	318	260
4	3	United States of America	4	3
2	36	Germany	2	36
2	1	Luxemburg	2	1
2	-	Canada	2	-
-	435	Croatia	-	435
-	259	France	-	259
-	4	Denmark	-	4
-	1	Italy	-	1
12,737	**55,439**	**Total loans to credit and financial institutions**	**439,333**	**506,676**
(31)	(40)	Less impairment losses on loans	(31)	(40)
12,706	**55,399**	**Loans to credit and financial institutions, net**	**439,302**	**506,636**

Vast majority of loans to credit and financial institutions are not secured by any collateral. As of 31 December 2011 individually impaired loans amounted to LTL 284 thousand gross of impairment losses (no accrued interest). LTL 2,625 thousand were past due till 7 days, LT 2 thousands 8-30 days (as of 31 December 2010 LTL 6 thousands were past due more than 60 days). The rest of the loans to credit and financial institutions are neither past due, nor impaired.

The table below presents an analysis of loans to credit and financial institutions, net by rating agency designation at 31 December 2011, based on Standard & Poor's ratings or their equivalent:

	Loans to credit and financial institutions, net
CCC+	99
AAA	154
A	319
AA-	696
A-	1,269
B-	1,340
BBB+	1,707
A+	2,628
BB	4,125
Not available	369
	12,706

NOTE 22 LOANS TO CUSTOMERS

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral 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.

As of 31 December 2011 and 2010 loans to customers against collateral type were as follows:

31 December 2011	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
Loans secured by mortgage, real property	-	1,670,065	1,139,153	5,526,938	643,617	8,979,773
Loans secured by deposits and securities	-	116,135	88,641	13,029	39,937	257,742
Loans secured by guarantees of government and banks	-	2,628	77,811	91	-	80,530
Accounts receivable and debtors	8,329	1,324,880	1,379,014	3,967	4,267	2,720,457
Inventories and equipment	412	4,939	560,384	7	9	565,751
Other collateral	-	511,949	799,489	767,024	38,374	2,116,836
Unsecured loans	446,859	98,686	1,250,450	57,807	311,227	2,165,029
Total loans to customers	**455,600**	**3,729,282**	**5,294,942**	**6,368,863**	**1,037,431**	**16,886,118**
31 December 2010						
Loans secured by mortgage, real property	-	1,905,660	1,283,735	5,588,679	692,630	9,470,704
Loans secured by deposits and securities	-	134,824	97,473	14,057	59,597	305,951
Loans secured by guarantees of government and banks	-	35,584	249,112	-	2,689	287,385
Accounts receivable and debtors	9,238	1,325,622	1,237,979	4,244	6,565	2,583,648
Inventories and equipment	-	3,332	553,007	64	9	556,412
Other collateral	-	493,784	746,812	839,140	41,581	2,121,317
Unsecured loans	483,617	82,576	774,921	74,414	403,712	1,819,240
Total loans to customers	**492,855**	**3,981,382**	**4,943,039**	**6,520,598**	**1,206,783**	**17,144,657**

Loan's amount was split proportionally to collateral value, if there were several types of collateral pledged for the same loan.

As of 31 December 2011 loan with floating interest rate exceeded 70,79 percent of Bank's loan portfolio (2010: 68 percent).

As of 31 December 2011 included in the above amounts of loans secured by deposits and securities is reversed repo transactions equal to LTL 14,965 thousand (of which LTL 127 thousand of accrued interest) with securities in amount of LTL 23,825 thousand (2010: LTL 36,631 thousand and LTL 53,819 thousand respectively), which includes: equity (LTL 11,053 thousand), funds (LTL 1,458 thousand), bonds (LTL 8,349 thousand) and equity linked debt securities (LTL 2,837 thousand).

NOTE 22 LOANS TO CUSTOMERS (CONTINUED)

As of 31 December 2011 and 2010 the Bank's loans to customers by customer category were as follows:

	2011	2010
Neither past due nor impaired:		
Property management	1,904,633	1,784,165
Other corporate	4,469,140	3,857,906
Public	438,330	492,855
Mortgage loans	5,635,993	5,816,666
Other private individuals	788,023	952,249
Total neither past due nor impaired	**13,236,119**	**12,903,841**
Past due but not impaired:		
Property management	262,759	144,902
Other corporate	254,553	254,547
Public	17,270	-
Mortgage loans	716,444	689,367
Other private individuals	220,641	215,264
Total past due but not impaired	**1,471,667**	**1,304,080**
Impaired loans:		
Property management	1,561,890	2,052,315
Other corporate	571,249	830,586
Public	-	-
Mortgage loans	16,426	14,565
Other private individuals	28,767	39,270
Total impaired loans	**2,178,332**	**2,936,736**
Total loans by customer category:		
Property management	3,729,282	3,981,382
Other corporate	5,294,942	4,943,039
Public	455,600	492,855
Mortgage loans	6,368,863	6,520,598
Other private individuals	1,037,431	1,206,783
Total loans by customer category	**16,886,118**	**17,144,657**
Less impairment losses on loans:		
Property management	(607,212)	(743,694)
Other corporate	(284,681)	(420,228)
Public	-	-
Mortgage loans	(220,136)	(199,332)
Other private individuals	(95,657)	(100,673)
Total impairment losses on loans by customer category	**(1,207,686)**	**(1,463,927)**
Loans to customers, net	**15,678,432**	**15,680,730**

NOTE 22 LOANS TO CUSTOMERS (CONTINUED)

The table below presents analysis of impaired individually assessed loans as of 31 December 2011 and 2010:

	2011	2010
Impaired individually assesed loans:		
Property management	1,561,890	2,052,315
Other corporate	571,249	830,586
Public	-	-
Mortgage loans	16,426	14,565
Other private individuals	28,767	39,270
Total impaired individually assesed loans	**2,178,332**	**2,936,736**
Less impairment losses on individually assesed loans:		
Property management	(576,547)	(637,271)
Other corporate	(249,932)	(424,815)
Public	-	-
Mortgage loans	(11,645)	(10,796)
Other private individuals	(10,824)	(11,784)
Total impairment losses on individually assesed loans	**(848,948)**	**(1,084,666)**

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
31 December 2011						
3 – 7 risk classes	6,586	32,014	414,928	-	-	453,528
8 risk class	236,218	260,692	665,424	-	-	1,162,334
9 risk class	186,232	139,788	1,144,277	-	-	1,470,297
10 risk class	2,711	302,658	1,112,910	-	-	1,418,279
11 risk class	6,583	427,422	395,255	-	-	829,260
12 risk class	-	471,544	165,715	-	-	637,259
13 – 16 risk class	-	265,468	401,133	-	-	666,601
Homogeneous credits groups	-	5,047	169,498	5,635,993	788,023	6,598,561
Total neither past due nor impaired	**438,330**	**1,904,633**	**4,469,140**	**5,635,993**	**788,023**	**13,236,119**
31 December 2010						
3 – 7 risk classes	10,524	33,986	389,631	-	-	434,141
8 risk class	417,843	294,456	582,329	-	-	1,294,628
9 risk class	62,788	219,433	492,556	-	-	774,777
10 risk class	1,683	243,372	1,125,960	-	-	1,371,015
11 risk class	17	181,566	282,501	-	-	464,084
12 risk class	-	491,200	377,573	-	-	868,773
13 – 16 risk class	-	313,808	449,134	-	-	762,942
Homogeneous credits groups	-	6,344	158,222	5,816,666	952,249	6,933,481
Total neither past due nor impaired	**492,855**	**1,784,165**	**3,857,906**	**5,816,666**	**952,249**	**12,903,841**

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 2011 amounted to LTL 10,694 thousand (2010: LTL 2,577 thousand), of which LTL 1,500 thousand are impaired. Other loans granted by venture capital subsidiary are classified as neither past due nor impaired loans granted to other corporate and these are not secured.

The carrying amount of credits, that would otherwise be past due or impaired whose terms have been renegotiated, as of 31 December 2011 in the Bank was LTL 121,422 thousand (mortgage loans) and LTL 17,268 thousand (other private loans) (2010: LTL 123,467 thousand and LTL 21,447 thousand).

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.

NOTE 22 LOANS TO CUSTOMERS (CONTINUED)

As of 31 December 2011 and 2010 loans to customers past due but not impaired and fair value of collateral were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2011						
Loans past due but not impaired:						
past due up to 7 days	13,308	49,627	75,870	114,891	18,382	272,078
past due 8-30 days	3,962	3,402	74,319	125,384	25,358	232,425
past due 31 - 60 days	-	25,500	8,553	76,423	13,656	124,132
past due over 60 days	-	184,230	95,811	399,746	163,245	843,032
Total past due but not impaired	**17,270**	**262,759**	**254,553**	**716,444**	**220,641**	**1,471,667**
Fair value of collateral pledged	-	261,565	127,725	642,229	127,814	1,159,333
31 December 2010						
Loans past due but not impaired:						
past due up to 7 days	-	15,549	79,889	133,862	26,155	255,455
past due 8-30 days	-	888	19,946	112,315	21,101	154,250
past due 31-60 days	-	7,608	15,727	83,994	13,206	120,535
past due over 60 days	-	120,857	138,985	359,196	154,802	773,840
Total past due but not impaired	**-**	**144,902**	**254,547**	**689,367**	**215,264**	**1,304,080**
Fair value of collateral pledged	-	145,916	161,827	606,933	112,372	1,027,048

The major part of loans past due up to 7 days are past due because of technical reasons and do not indicate difficulties to fulfil financial obligations to the Bank. Loans, that 31 December 2011 were past due up to 7 days and instalments were paid during January 2012, amount LTL 219,328 thousand (2010: LTL 215,353 thousand), of which: public sector – the whole amount for year 2011, property management – LTL 44,818 thousand (2010: LTL 11,195 thousand), other corporate – LTL 55,549 thousand (2010: LTL 75,555 thousand), mortgage loans – LTL 92,623 thousand (2010: LTL 107,555 thousand), other private individuals – LTL 13,030 thousand (2010: LTL 21,048 thousand).

As of 31 December 2011 and 2010 impaired loans to customers and fair value of collateral were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2011						
Impaired loans	-	1,561,890	571,249	16,426	28,767	2,178,332
Fair value of collateral pledged	-	917,653	280,559	4,773	14,727	1,217,712
31 December 2010						
Impaired loans	-	2,052,315	830,586	14,565	39,270	2,936,736
Fair value of collateral pledged	-	1,248,704	388,546	3,765	22,594	1,663,609

The Bank considers a loan in a homogeneous group to which impairment has been allocated on a collective basis as not being impaired for the purposes of IFRS 7 disclosures until the loss can be specifically identified with the loan.

NOTE 23 FINANCE LEASE RECEIVABLE

The Group			The Bank	
2011	**2010**		**2011**	**2010**
		Gross finance lease receivable		
675,996	848,237	-Falling due within one year	-	-
982,417	1,121,779	-Falling due from one to five years	-	-
357,093	251,233	-Falling due after five years	-	-
2,015,506	**2,221,249**	**Total gross finance lease receivable**	**-**	**-**
		Unearned finance income		
(56,422)	(55,823)	-Falling due within one year	-	-
(90,478)	(76,979)	-Falling due from one to five years	-	-
(24,904)	(10,230)	-Falling due after five years	-	-
(171,804)	**(143,032)**	**Total unearned finance income**	**-**	**-**
(170,216)	(383,526)	Less impairment losses on finance lease receivable	-	-
1,673,486	**1,694,691**	**Total finance lease receivable, net**	**-**	**-**

As of 31 December 2011 unguaranteed residual values amounted to LTL 479 thousand (2010: LTL 1,922 thousand).

As of 31 December 2011 finance lease contracts with floating interest rate reached 89.22 percent of leasing portfolio (2010: 87.37 percent).

As of 31 December 2011 and 2010 finance lease receivable by customer category were as follows:

The Group			The Bank	
2011	**2010**		**2011**	**2010**
		Neither past due nor impaired:		
1,302,022	1,132,272	Corporate	-	-
66,048	87,985	Private individuals	-	-
15,836	24,790	Other	-	-
1,383,906	**1,245,047**	**Total neither past due nor impaired**	**-**	**-**
		Past due but not impaired:		
85,524	157,098	Corporate	-	-
6,735	17,757	Private individuals	-	-
86	91	Other	-	-
92,345	**174,946**	**Total past due but not impaired**	**-**	**-**
		Impaired finance lease receivable:		
364,951	655,724	Corporate	-	-
2,500	2,500	Private individuals	-	-
-	-	Other	-	-
367,451	**658,224**	**Total impaired finance lease receivable**	**-**	**-**
		Total finance lease receivable by customer category:		
1,752,497	1,945,094	Corporate	-	-
75,283	108,242	Private individuals	-	-
15,922	24,881	Other	-	-
1,843,702	**2,078,217**	**Total finance lease receivable by customer category**	**-**	**-**
		Less impairment losses on finance lease receivable:		
(167,034)	(380,046)	Corporate	-	-
(3,182)	(3,480)	Private individuals	-	-
-	-	Other	-	-
(170,216)	**(383,526)**	**Total impairment losses on finance lease receivable**	**-**	**-**
1,673,486	**1,694,691**	**Finance lease receivable, net**	**-**	**-**

NOTE 23 FINANCE LEASE RECEIVABLE (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
31 December 2011				
4 – 7 risk classes	5,089	-	12,340	17,429
8 risk class	59,215	-	652	59,867
9 risk class	167,720	-	-	167,720
10 risk class	423,837	530	757	425,124
11 risk class	224,885	685	860	226,430
12 risk class	141,201	526	657	142,384
13-16 risk class	133,277	996	44	134,317
Homogeneous credits groups	146,798	63,311	526	210,635
Total neither past due nor impaired	**1,302,022**	**66,048**	**15,836**	**1,383,906**
31 December 2010				
4 – 7 risk classes	2,683	-	18,037	20,720
8 risk class	48,909	-	522	49,431
9 risk class	111,468	-	-	111,468
10 risk class	230,218	919	1,351	232,488
11 risk class	230,571	566	1,931	233,068
12 risk class	209,310	926	2,341	212,577
13-16 risk class	111,130	2,037	490	113,657
Homogeneous credits groups	187,983	83,537	118	271,638
Total neither past due nor impaired	**1,132,272**	**87,985**	**24,790**	**1,245,047**

The carrying amount of lease receivable, that would otherwise be past due or impaired whose terms have been renegotiated, as of 31 December 2011 in the Group was LTL 20,940 thousand (2010: 25,646).

As of 31 December 2011 and 2010 finance lease receivable past due but not impaired and fair value of collateral were as follows:

	Corporate	Private	Other	Total
31 December 2011				
Loans past due but not impaired:				
past due up to 30 days	36,624	3,281	86	39,991
past due 31 - 60 days	15,318	855	-	16,173
past due over 60 days	33,582	2,599	-	36,181
Total past due but not impaired	**85,524**	**6,735**	**86**	**92,345**
Fair value of collateral pledged	102,674	8,085	103	110,862
31 December 2010				
Loans past due but not impaired:				
past due up to 30 days	119,297	8,858	91	128,246
past due 31 - 60 days	10,373	3,402	-	13,775
past due over 60 days	27,428	5,497	-	32,925
Total past due but not impaired	**157,098**	**17,757**	**91**	**174,946**
Fair value of collateral pledged	84,833	9,589	50	94,472

NOTE 23 FINANCE LEASE RECEIVABLE (CONTINUED)

Impaired finance leases receivable amounts and fair value of collateral as of 31 December 2011 and 2010:

	Corporate	Private	Other	Total
31 December 2011				
Impaired loans	364,951	2,500	-	367,451
Fair value of collateral pledged	231,977	-	-	231,977
31 December 2010				
Impaired loans	655,724	2,500	-	658,224
Fair value of collateral pledged	354,091	-	-	354,091

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
31 December 2011				
Trucks and other vehicles	511,356	93	297	511,746
Real estate	599,770	6,516	263	606,549
Cars and mini-vans	241,404	68,399	15,323	325,126
Manufacturing equipment	286,646	17	-	286,663
Shop equipment	4,008	-	-	4,008
Construction equipment	43,688	1	-	43,689
Agricultural equipment	12,101	160	-	12,261
Office equipment	4,077	-	-	4,077
Medical equipment	3,502	97	30	3,629
Railway wagons and containers	42,480	-	-	42,480
Water transport means	90	-	-	90
Other assets	3,375	-	9	3,384
Total finance lease receivable by type of collateral	**1,752,497**	**75,283**	**15,922**	**1,843,702**
31 December 2010				
Trucks and other vehicles	639,793	231	117	640,141
Real estate	645,239	8,855	378	654,472
Cars and mini-vans	272,072	98,295	23,977	394,344
Manufacturing equipment	223,341	30	-	223,371
Shop equipment	8,185	9	-	8,194
Construction equipment	69,891	97	-	69,988
Agricultural equipment	14,276	533	-	14,809
Office equipment	9,759	-	-	9,759
Medical equipment	5,089	148	378	5,615
Railway wagons and containers	51,681	-	-	51,681
Water transport means	683	-	-	683
Other assets	5,085	44	31	5,160
Total finance lease receivable by type of collateral	**1,945,094**	**108,242**	**24,881**	**2,078,217**

NOTE 24 INVESTMENT SECURITIES

Loans and Receivable Reclassification

On 31 October 2008, the management of the Bank, based on amendments of IAS 39 and IFRS 7, decided to reclassify fixed interest income securities into *loans and receivables* category. Carrying value of the securities as of 31 Dec 2011 amounted to LTL 1,588,259 thousand, fair value is disclosed in table in *Accounting policies* part *Fair values*.

As of 31 December 2011 and for the year ended 31 December 2011 if the Group and the Bank had not reclassified financial assets to loans and receivables, revaluation reserve (deficit) of financial assets in equity would have been lower by LTL 30 million (2010: LTL 26.4 million), and result from revaluation of securities in income statement would have been lower by LTL 0,5 million (2010: LTL 2 million) respectively.

Available for Sale, Held to Maturity and Loans and Receivables

The breakdown of the investment securities – available for sale, held to maturity and loans and receivables may be summarised as follows:

The Group			The Bank	
2011	**2010**		**2011**	**2010**
		Securities available for sale:		
200	200	AB Panevezio Energija	200	200
176	1,076	SEB Equity Fund Ukraine	176	1,076
376	**1,276**	**Total investment securities available for sale**	**376**	**1,276**

The above securities are not rated.

The changes in investment securities for the year 2011 were as follows:

The Group				The Bank		
Available-for-sale	**Held to maturity**	**Loans and receivables**		**Available-for-sale**	**Held to maturity**	**Loans and receivables**
337	**12,748**	**1,719,512**	**1 January 2010**	**337**	**12,748**	**1,719,512**
10	1,084	-	Foreign exchange differences on monetary assets	10	1,084	-
866	-	-	Additions	866	-	-
-	-	(61,329)	Disposal	-	-	(61,329)
-	-	(1,496)	Interest income	-	-	(1,496)
-	-	(27,397)	Recognised result in income statement	-	-	(27,397)
63	-	-	Change in revaluation reserve in equity	63	-	-
1,276	**13,832**	**1,629,290**	**1 January 2011**	**1,276**	**13,832**	**1,629,290**
14	316	-	Foreign exchange differences on monetary assets	14	316	-
3	-	-	Additions	3	-	-
-	-	-	Disposal	-	-	-
-	-	500	Interest income	-	-	500
-	-	(41,530)	Recognised result in income statement	-	-	(41,530)
(526)	-	-	Change in revaluation reserve in equity	(526)	-	-
(390)			Impairment loss on investment in AFS securities	(390)		
376	**14,148**	**1,588,260**	**31 December 2011**	**376**	**14,148**	**1,588,260**

All loans and receivables presented in the table above are subject to fair value hedge as described in note 3(l). Recognised result in income statement amounting to LTL 41,530 thousand (2010: LTL 27,397 thousand) relates to fair value hedge impact accounted through income statement and recognised in net losses on financial assets and derivative instruments accounted for at fair value (see note 10).

The table below presents an analysis of credit quality of Bank's investment securities accounted as Held-to-maturity and loans and receivables by rating agency designation at 31 December 2011, based on Standard & Poor's ratings or their equivalent:

	Held to maturity	**Loans and receivables**
BBB+	14,148	
BBB		1,588,260
	14,148	**1,588,260**

NOTE 25 INVESTMENTS IN SUBSIDIARIES

The Group			The Bank	
2011	**2009**		**2011**	**2010**
		Securities accounted for under cost method:		
-	-	UAB SEB Venture Capital	25,000	25,000
-	-	UAB SEB Investicijų Valdymas	9,900	9,900
-	-	UAB SEB Enskilda	-	3,716
-	-	AB SEB Lizingas	190,000	83,000
-	**-**	**Total investments in subsidiaries**	**224,900**	**121,616**

AB SEB Lizingas is engaged in the leasing activities. The Bank owns 100 percent of the shares of AB SEB Lizingas, which is consolidated in the Group's financial statements.

Continued losses of AB SEB Lizingas triggered impairment tests of cost of investment into this subsidiary. As of 31 December 2009, net assets of this subsidiary were negative and cost of investment was reduced to zero value. As of 31 December 2010 impairment tests showed that previously recognized impairment loss should be reversed for the amount of LTL 83,000 thousand.
Impairment tests carried for this subsidiary for the year 2011 indicated that recoverable amount is LTL 190,000 thousand. Recoverable amount was estimated using value in use method. Discount rate applied: 12,2% (for further consideration pls. see Note 3 Significant management judgements). Thus previously recognized impairment loss has been additionally reversed for the amount LTL 107,000.

Changes of investment in AB SEB Lizingas are presented below:

	Investment in AB SEB Lizingas
As of 31 December 2008:	
Total cost of investment	**10,000**
Capitalised loans to cover losses in 2009	165,105
Impairment loss in 2009	(175,105)
As of 31 December 2009:	
Total cost of investment, before impairment	**175,105**
Total impairment	**(175,105)**
Total cost of investment, after impairment	**-**
Capitalised loans to cover losses in 2010	533,529
Impairment loss in 2010	(450,529)
As of 31 December 2010:	
Total cost of investment, before impairment	**708,634**
Total impairment	**(625,634)**
Total cost of investment, after impairment	**83,000**
Impairment loss reversal in 2011	107,000
As of 31 December 2011:	
Total cost of investment, before impairment	**708,634**
Total impairment	**(518,634)**
Total cost of investment, after impairment	**190,000**

UAB SEB Venture Capital is a fully owned subsidiary involved in venture capital activities.

UAB SEB Investicijų Valdymas is a fully owned subsidiary of the Bank, engaged in provision of investments' management services.
The audited financial statements of subsidiaries are available at the Bank and the respective subsidiary.

On 3 March 2011 100% of subsidiary shares UAB SEB Enskilda were sold to the Bank's parent company Skandinaviska Enskilda Banken AB (publ), for the amount of LTL 10,092 thousand.

NOTE 25 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

UAB SEB Enskilda

Net cash flow from disposal of subsidiary

	31 December 2010
Due from banks, net	1,898
Term deposits	7,417
Property, plant and equipment	222
Other assets, net of impairment losses	909
Accrued expenses and deferred income	21
Other liabilities and provisions	333
Net assets	**10,092**
Sales price	10,092
Adjustment due to aquisition cost of investment	(1,166)
Loss from disposal of subsidiary	**(1,166)**
Cash and cash equivalents in subsidiary being sold	1,898
Net cash flow from disposal of subsidiary	**8,194**

NOTE 26 INTANGIBLE FIXED ASSETS

As of 31 December 2011 and 2010 intangible assets of the Group and the Bank consisted of the following:

The Group			The Bank	
Software and other intangible fixed assets	Total intangible		Software and other intangible fixed assets	Total intangible fixed assets
		Cost		
219,774	219,774	31 December 2009	218,468	218,468
58,575	58,575	Additions	58,533	58,533
(4,669)	(4,669)	Disposals	(4,669)	(4,669)
273,680	**273,680**	**31 December 2010**	**272,332**	**272,332**
		Accumulated amortisation and impairment		
50,728	50,728	31 December 2009	49,704	49,704
7,133	7,133	Charge for the year	6,988	6,988
(4,669)	(4,669)	Amorisation of disposals	(4,669)	
71,755	71,755	Impairment charge for the year	71,755	71,755
124,947	**124,947**	**31 December 2010**	**123,778**	**123,778**
		Costs		
273,680	273,680	31 December 2010	272,332	272,332
12,262	12,262	Additions	12,054	12,054
(6,897)	(6,897)	Disposals	(6,897)	(6,897)
279,045	**279,045**	**31 December 2011**	**277,489**	**277,489**
		Accumulated amortisation and impairment		
124,947	124,947	31 December 2010	123,778	123,778
21,273	21,273	Charge for the year	21,126	21,126
(145)	(145)	Amorisation of disposals	(145)	(145)
146,075	**146,075**	**31 December 2011**	**144,759**	**144,759**
		Net book value		
148,733	**148,733**	**31 December 2010**	**148,554**	**148,554**
132,970	**132,970**	**31 December 2011**	**132,730**	**132,730**

NOTE 26 INTANGIBLE FIXED ASSETS (CONTINUED)

The new core banking platform was introduced in 2010 at cost of LTL 219,638 thousand. Estimated amortisation period for the asset is 8 years.

The ongoing global crisis had continued impact on Bank's and Group's results in 2010. This has triggered testing of PP&E and intangible assets for impairment. Impairment has been tested on the Baltic Division segment level. Recoverable amount estimated using value-in-use calculations. The following assumptions used: weigthed average cost of capital (post tax) of 11.80%, average growth of segment's operating income for the 2011-2013 of 9%, and sustainable growth rate of 2%. Results show that write down of LTL 71,755 thousand is needed. All amount of impairment has been allocated to intangible asset (new core banking platform), as management is confident that fair values of PP&E would be approximated by their carrying amounts.

Impairment tests have been carried for the year 2011 as well using value-in-use calculations. The following assumptions used: weigthed average cost of capital (post tax) of 11.30%, sustainable growth rate of 3%. Results showed that no impairment charge were needed.

NOTE 27 PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2011 and 2010 property, plant and equipment of the Group consisted of the following:

	The Group			
	Buildings and other real estate	**Computer equipment**	**Office equipment and other PPE**	**Total property, plant and equipment**
Cost				
31 December 2009	11,636	118,478	55,470	185,584
Additions	-	4,933	3,331	8,264
Disposals, write-offs and reclassifications	-	(25,910)	(7,844)	(33,754)
31 December 2010	**11,636**	**97,501**	**50,957**	**160,094**
Accumulated depreciation				
31 December 2009	4,827	85,652	38,596	129,075
Charge for the year	1,528	9,744	7,088	18,360
Depreciation of disposals, write-offs and reclassifications	-	(25,867)	(7,478)	(33,345)
31 December 2010	**6,355**	**69,529**	**38,206**	**114,090**
Cost				
Additions	-	3,256	1,592	4,848
Disposals, write-offs and reclassifications	-	(3,812)	(842)	(4,654)
Transfer to disposable group calssified as held for sale	-	(54)	(254)	(308)
31 December 2011	**11,636**	**96,891**	**51,453**	**159,980**
Accumulated depreciation				
Charge for the year	1,281	10,239	5,578	17,098
Depreciation of disposals, write-offs and reclassifications	-	(3,782)	(460)	(4,242)
Transfer to disposable group calssified as held for sale		(27)	(60)	
31 December 2011	**7,636**	**75,959**	**43,264**	**126,859**
Net book value				
31 December 2010	**5,281**	**27,972**	**12,751**	**46,004**
31 December 2011	**4,000**	**20,932**	**8,189**	**33,121**

NOTE 27 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As of 31 December 2011 and 2010 property, plant and equipment of the Bank consisted of the following:

	The Bank			
	Buildings and other real estate	**Computer equipment**	**Office equipment and other PPE**	**Total property, plant and equipment**
Cost				
31 December 2009	11,636	117,791	54,536	183,963
Additions	-	4,799	2,961	7,760
Disposals, write-offs and reclassifications	-	(25,715)	(7,541)	(33,256)
31 December 2010	**11,636**	**96,875**	**49,956**	**158,467**
Accumulated depreciation				
31 December 2009	4,827	85,149	38,140	128,116
Charge for the year	1,528	9,641	6,863	18,032
Depreciation of disposals, write-offs and reclassifications	-	(25,686)	(7,284)	(32,970)
31 December 2010	**6,355**	**69,104**	**37,719**	**113,178**
Cost				
Additions	-	3,237	681	3,918
Disposals, write-offs and reclassifications	-	(3,653)	(279)	(3,932)
31 December 2011	**11,636**	**96,459**	**50,358**	**158,453**
Accumulated depreciation				
Charge for the year	1,281	10,162	5,369	16,812
Depreciation of disposals, write-offs and reclassifications	-	(3,632)	(262)	(3,894)
31 December 2011	**7,636**	**75,634**	**42,826**	**126,096**
Net book value				
31 December 2010	**5,281**	**27,771**	**12,237**	**45,289**
31 December 2011	**4,000**	**20,825**	**7,532**	**32,357**

NOTE 28 ASSETS UNDER OPERATING LEASE

As of 31 December 2011 and 2010 assets leased under operating lease of the Group consisted of the following:

	The Group		
	Vehicles	**Office equipment and other**	**Total assets under operating lease**
Cost			
31 December 2010	7,067	124	7,191
Additions	-	-	-
Disposals	(4,729)	(415)	(5,144)
Transfer (to) leasing portfolio	-	488	488
31 December 2011	**2,338**	**197**	**2,535**
Accumulated depreciation			
31 December 2010	4,503	107	4,610
Charge for the year	884	14	898
Depreciation of disposals	(3,709)	(105)	(3,814)
Depreciation of transfers (to) leasing portfolio	-	-	-
31 December 2011	**1,678**	**16**	**1,694**
Net book value			
31 December 2010	**2,564**	**17**	**2,581**
31 December 2011	**660**	**181**	**841**

Income from operating lease is classified as net other income in the Income Statement.

NOTE 29 INVESTMENT PROPERTY

As of 31 December 2011 and 2010 investment property of the Group and the Bank consisted of the following:

The Group		The Bank
	Costs	
95,483	31 December 2010	1,599
7,334	Taken over/Additions	-
5,227	Assets reclassified from other asset groups'	-
(44,321)	Disposals	-
63,723	**31 December 2011**	**1,599**
	Accumulated depreciation and impairment	
573	31 December 2010	64
1,100	Depreciation for the year	64
(442)	Disposals	-
1,231	**31 December 2011**	**128**
	Impairment loss	
43,436	31 December 2010	-
(2,495)	Reversal of impairment loss in the income statement	-
(24,260)	Reversal of impairment loss attributable to disposed assets	-
2,329	Impairment loss on assets taken over	
2,780	Impairment loss on assets reclassified from other asset groups'	-
21,790	**31 December 2011**	**-**
	Net book value	
51,474	**31 December 2010**	**1,535**
40,702	**31 December 2011**	**1,471**

The fair value of investment property was established in compliance with the procedures adopted within the SEB group. The valuation of real estate was carried out by SEB Bankas experts from Corporate Customers and Industry Analysis Department (ICA) using discounted cash flow model. The fair value of investment property does not differ materially from its book value as at 31 December 2011 and 31 December 2010.

The major amount of investment property are foreclosed assets (land and buildings) taken over from the clients by AB SEB Lizingas.

NOTE 30 OTHER ASSETS, NET

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
		Financial other assets		
171	775	Advances paid for assets to be leased	-	-
-	2,131	Amounts receivable for cash exported	-	2,131
111,640	66,908	Amounts of executed bank transfers not yet settled against customers' accounts	111,640	66,908
737	475	Amounts outstanding for clearance	737	475
5,464	11,905	Accrued income	5,005	6,918
658	764	Current lease receivable	-	-
1,219	2,134	Other financial assets	1,219	2,134
119,889	**85,092**	**Total other financial assets**	**118,601**	**78,566**
		Non financial other assets		
93	199,486	Assets not yet leased	-	-
14,464	11,790	Deferred expenses	14,252	11,519
1,335	10,540	Tax receivables	78	8,690
11,609	9,668	Other assets, net of impairment allowances	10,208	10,612
27,501	**231,484**	**Total non financial other assets**	**24,538**	**30,821**
147,390	**316,576**	**Total other assets, net**	**143,139**	**109,387**

NOTE 31 AMOUNTS OWED TO CREDIT AND FINANCIAL INSTITUTIONS

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
3,879,536	1,587,715	Falling due within one year	3,335,064	1,554,056
6,256,145	7,707,900	Falling due after one year	5,841,809	6,361,308
10,135,681	**9,295,615**	**Total amounts owed to credit and financial institutions**	**9,176,873**	**7,915,364**

NOTE 32 DEPOSITS FROM THE PUBLIC

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
4,643,460	4,111,230	Corporate customers' deposits and accounts	4,649,455	4,112,563
7,509,539	5,532,111	Individual customers' deposits and accounts	7,509,539	5,532,111
12,152,999	**9,643,341**	**Total deposits from the public**	**12,158,994**	**9,644,674**

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
4,643,460	4,111,230	Corporate customers' deposits and accounts	4,649,455	4,112,563
7,509,539	5,532,111	Individual customers' deposits and accounts	7,509,539	5,532,111
12,152,999	**9,643,341**	**Total deposits from the public**	**12,158,994**	**9,644,674**

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.

As of 31 December 2010 the Group has pledged own issued securities amounting to LTL 20 million as security in borrowings transactions and LTL 70 thousand equity securities. As of 31 December 2011 the Group did not have pledged own issued securities.

NOTE 33 SUBORDINATED LOANS

The Group			Interest	The Bank	
2011	**2010**		**rate %**	**2011**	**2010**
86,491	86,474	EUR 25 m subordinated loan due 2015	EURIBOR+2.3%	86,491	86,474
-	138,639	EUR 40 m subordinated loan due 2016	EURIBOR+0.8%	-	138,639
-	69,129	EUR 20 m subordinated loan due 2016	EURIBOR+0.75%	-	69,129
-	145,903	EUR 42 m subordinated loan due 2016	EURIBOR+0.75%	-	145,903
157,727	157,027	EUR 45 m subordinated loan due 2017	EURIBOR+0.75%	157,727	157,027
244,218	**597,172**	**Total subordinated loans**		**244,218**	**597,172**

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

NOTE 34 DEBT SECURITIES IN ISSUE

The Group			Interest rate %		The Bank	
2011	**2010**		**2011**	**2010**	**2011**	**2010**
		Debt securities in issue:				
		Debt securities issued in 2007:				
-	44,607	index linked debt securities due 2011	-	-	-	44,607
		Debt securities issued in 2008:				
-	48,486	index linked debt securities due 2011	-	-	-	48,486
1,026	924	index linked debt securities due 2012	-	-	1,026	924
		Debt securities issued in 2009:				
-	9,994	2 year debt securities due 2011	-	8	-	9,994
-	1,653	index linked debt securities due 2011	-	-	-	1,653
40,659	38,939	index linked debt securities due 2012	-	-	40,659	38,939
20,450	20,153	index linked debt securities due 2013	-	-	20,450	20,153
		Debt securities issued in 2010:				
-	565	2 year debt securities due 2011	-	2	-	565
-	5,071	2 year debt securities due 2011	-	2.1	-	5,071
-	2,061	2 year debt securities due 2011	-	2.6	-	2,061
-	9,910	2 year debt securities due 2011	-	3.95	-	9,910
-	9,926	2 year debt securities due 2011	-	5.5	-	9,926
-	3,395	index linked debt securities due 2011	-	-	-	3,395
8,947	8,800	index linked debt securities due 2012	-	-	8,947	8,800
78,527	77,345	index linked debt securities due 2013	-	-	78,527	77,345
20,340	20,013	index linked debt securities due 2014	-	-	20,340	20,013
347,737	361,335	undated subordinated notes	5.958	5.546	347,737	361,335
		Debt securities issued in 2011				
10,201	-	index linked debt securities due 2013	-	-	10,201	-
28,855	-	index linked debt securities due 2014	-	-	28,855	-
1,366	-	index linked debt securities due 2015	-	-	1,366	-
3,939	-	index linked debt securities due 2016	-	-	3,939	-
3,551	-	index linked debt securities due 2017	-	-	3,551	-
565,598	**663,177**	**Total debt securities in issue**			**565,598**	**663,177**

NOTE 35 ACCRUED EXPENSES, DEFERRED INCOME, OTHER LIABILITIES AND PROVISIONS

The Group			The Bank	
2011	**2010**		**2011**	**2010**
		Other financial liabilities		
11,836	11,616	Amounts outstanding for clearance	11,836	11,616
762,617	-	Deposit Insurance Fund amounts owed to Snoras depositors	762,617	-
5,077	10,806	Prepayments for finance lease	-	-
5,884	27,802	Accounts payable for assets purchased under finance lease	-	-
72,803	13,925	Amounts of executed bank transfers not yet settled against customers' accounts	72,803	13,925
8,529	14,332	Provisions for off balance sheet items	8,529	14,332
23,078	12,756	Factoring payables	23,078	12,756
1,841	3,738	Other financial liabilities	1,841	3,738
891,665	**94,975**	**Total other financial liabilities**	**880,704**	**56,367**
		Non financial liabilities		
2,993	3,967	Accrued taxes	2,290	952
19,416	19,330	Vacation reserve accrual	18,942	18,638
8,083	6,368	Prepayments for operating lease	-	-
15,015	10,368	Other liabilities	14,799	10,011
45,507	**40,033**	**Total other non financial liabilities**	**36,031**	**29,601**
937,172	**135,008**	**Total other liabilities and provisions**	**916,735**	**85,968**

After the collapse of Bank Snoras in the fourth quarter of 2011 the state enterprise Indėlių ir Investicijų Draudimas ('Deposit and Investment Insurance Fund') selected SEB Bank for payment of insurance compensations to the depositors (private individuals and Vilnius region enterprises) of Bank Snoras. Amount of LTL 762,617 thousand represent funds received from the state enterprise Indėlių ir Investicijų Draudimas but not yet distributed to the Bank Snoras depositors.

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 are reflected in income statement.

The Group			The Bank	
2011	**2010**		**2011**	**2010**
		Accrued financial liabilities		
35,005	28,877	Accrued expenses	32,648	25,194
		Deferred non financial liabilities		
1,011	996	Deferred income	1,011	996
36,016	**29,873**	**Total accrued expenses and deferred income**	**33,659**	**26,190**

NOTE 36 SHAREHOLDERS' EQUITY

As of 31 December 2011 the share capital of the Bank consisted of 15,441,423 ordinary shares with par value LTL 67 each (2010: LTL 67). All issued shares are fully paid. Reserve capital, which as of 31 December 2011 amounted to LTL 2,200 thousand (2010: LTL 2,200 thousand) for the Bank and LTL 2,200 thousand (2010: LTL 1,034 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.

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. On 22 November 2010, the Bank announced that on 19 November 2010, the squeeze-out procedure was finalized. 100 percent of shares of the Bank is owned by company Skandinaviska Enskilda Banken AB (publ), registered in the Kingdom of Sweden.

As of 31 December 2011 legal reserve was LTL 191,184 thousand (2010: LTL 163,221 thousand) for the Bank and LTL 194,708 thousand (2010: LTL 165,425 thousand) for the Group, in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses.

NOTE 36 SHAREHOLDERS' EQUITY (CONTINUED)

Financial assets revaluation reserve (deficit) represents available for sale securities revaluation gain (loss). The financial assets reserve (deficit) movement in 2011 amount consists of the following:

	The Group	The Bank
Government securities – change in revaluation reserve (note 18)	(3,810)	(3,810)
Government securities - amortization of revaluation reserve to income statement	3,075	3,075
Equity securities – change in revaluation reserve (note 24)	(526)	(526)
Tax recognised in equity (note 14)	195	195
Equity securities – change in revaluation reserve - previous years correction	179	179
Net change in available for sale investments, net of deferred tax	**(887)**	**(887)**

As of 31 December 2011 general and other reserves represent general reserve for possible losses in amount of LTL 9,338 thousand (2010: LTL 9,338 thousand), that can only be offset with the current losses and share based compensation reserve in amount of LTL 3,159 thousand (2010: LTL 1508 thousand), that will be paid in the share capital equivalent of Skandinaviska Enskilda Banken AB (publ) Class A shares to employees participating in the share based premium program.

The Share Savings Programme concerns all employees of the Group and the Bank and is designed to support "One SEB" and create a long-term commitment to SEB. The employees have been offered to purchase Class A-shares for an amount corresponding to five per cent of their gross base salary and for the amount, at current stock exchange rate. Purchases are made during four periods, following the publication of the Bank's quarterly reports. If the shares are retained by the employee for three years from the investment date and the participant remains with SEB during this time, the Bank will give the employee one SEB share (Class A-share) for each retained share.

The costs of Share Savings Programme incurred by the Group during the year 2011 were LTL 1,651 thousand (2010: LTL 1,069 thousand) accounted in other administrative expenses in the income statement. Related social security costs were LTL 511 thousand for the year 2011 and (2010: LTL 331 thousand) accounted in staff cost in the income statement.

The above described share-based payments are treated as equity-settled because the Group has no obligation to settle the transactions related to the Share Savings Programme.

On annual AB SEB bank shareholder's meeting held on 25 March 2010 decision has been taken to approve shareholder's contribution amounting to EUR 100,000 thousand (LTL 345,280 thousand) to cover losses indicated in the AB SEB Bank annual financial statements for the year ended 31 December 2009.

As of 31 December 2011 the major shareholder is as follows:

Name of shareholder	Number of shares held	Percentage in total
Skandinaviska Enskilda Banken AB (publ)	15,441,423	100.00
Total	**15,441,423**	**100.00**

NOTE 37 ASSETS UNDER MANAGEMENT

The Group			The Bank	
2011	**2010**		**2011**	**2010**
504,964	752,300	Private individuals and corporate customers' assets under management	-	-
218,060	204,399	Pillar two conservative pension fund (SEB Pension 1)	-	-
863,312	853,877	Pillar two balanced pension fund (SEB Pension 2)	-	-
116,285	114,298	Pillar two equity pension fund (SEB Pension 3)	-	-
13,818	13,826	Conservative voluntary pension fund (SEB Pension 1 Plus)	-	-
43,947	51,205	Balanced voluntary pension fund (SEB Pension 2 Plus)	-	-
122,965	134,632	SEB Actively Managed Fund Porfolio 60	-	-
96,169	112,394	SEB Actively Managed Fund Porfolio 100	-	-
1,979,520	**2,236,931**	**Total assets under management**	**-**	**-**

NOTE 37 ASSETS UNDER MANAGEMENT (CONTINUED)

All assets management services are performed by UAB SEB Investicijų Valdymas. For the year ended 31 December 2011 the management fee for funds management amounted to LTL 13,894 thousand (2010: LTL 13,244 thousand) and it is included in '*Other income, net*' line in the income statement.

Starting from 30 June 2011 SEB World market fund of funds has been renamed to SEB Actively Managed Fund Portfolio 60 and SEB equity fund of funds has been renamed to SEB Actively Managed Fund Portfolio 100.

NOTE 38 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY

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 2011:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Assets							
Cash in hand	634,922	-	-	-	-	-	634,922
Balances with the Central Banks	3,438,209	-	-	-	-	-	3,438,209
Financial instruments – available for sale, designated at fair value, loans and receivables	51,068	1,154,391	430	217,609	244,140	919	1,668,557
Derivative financial instruments	6,699	5,481	4,883	18,503	157,488	-	193,054
Loans to credit and financial institutions and due from banks, net	1,850,889	454,899	563,170	28,616	260,229	6	3,157,809
Loans to customers, net	904,410	928,720	1,961,656	2,932,535	7,859,347	1,091,764	15,678,432
Investment securities – available for sale	-	-	-	-	-	376	376
Investment securities – held to maturity	-	-	-	-	14,148	-	14,148
Investments in subsidiaries	-	-	-	-	-	224,900	224,900
Intangible fixed assets	-	-	-	-	-	132,730	132,730
Property, plant and equipment	-	-	-	-	-	32,357	32,357
Investment property	-	-	-	-	-	1,471	1,471
Other assets, net	768	2	2	29	1	299,806	300,608
Total assets	**6,886,965**	**2,543,493**	**2,530,141**	**3,197,292**	**8,535,353**	**1,784,329**	**25,477,573**
Liabilities and shareholders' equity							
Amounts owed to the Central Banks	32	-	-	-	-	-	32
Amounts owed to credit and financial institutions	1,492,882	831,575	1,010,607	4,886,485	955,324	-	9,176,873
Derivative financial instruments	5,875	41,541	3,504	28,857	159,909	-	239,686
Deposits from the public	9,731,343	1,061,104	1,226,891	118,799	20,857	-	12,158,994
Subordinated loans	-	2,522	-	-	241,696	-	244,218
Debt securities in issue	9,432	14,419	26,781	158,373	8,856	347,737	565,598
Other liabilities and provisions	926,093	15,718	1,386	634	6,563	-	950,394
Equity	-	-	-	-	-	2,141,778	2,141,778
Total liabilities and shareholders' equity	**12,165,657**	**1,966,879**	**2,269,169**	**5,193,148**	**1,393,205**	**2,489,515**	**25,477,573**
Net assets (liabilities) before off balance sheet items	(5,278,692)	576,614	260,972	(1,995,856)	7,142,148	(705,186)	-
Off balance sheet items (net)	2,028,219	92,386	109,383	173,341	7,167	803	2,411,299
Net assets (liabilities)	**(7,306,911)**	**484,228**	**151,589**	**(2,169,197)**	**7,134,981**	**(705,989)**	**(2,411,299)**

The Bank's liquidity analysis as of 31 December 2010:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Total assets	3,117,884	1,138,757	2,169,304	4,307,233	8,631,915	1,663,169	21,028,262
Total liabilities and shareholders' equity	9,303,702	822,017	1,281,895	6,127,676	1,370,385	2,122,587	21,028,262
Off balance sheet items (net)	2,045,322	69,754	32,696	39,701	53,592	1,538	2,242,603
Net assets (liabilities)	**(8,231,140)**	**246,986**	**854,713**	**(1,860,144)**	**7,207,938**	**(460,956)**	**(2,242,603)**

NOTE 38 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY (CONTINUED)

The Group's liquidity analysis as of 31 December 2011:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Assets							
Cash in hand	634,922	-	-	-	-	-	634,922
Balances with the Central Banks	3,438,209	-	-	-	-	-	3,438,209
Financial instruments – available for sale, designated at fair value, loans and receivables	51,392	1,154,391	430	217,943	244,472	42,424	1,711,052
Derivative financial instruments	6,699	5,481	4,883	18,503	157,488	-	193,054
Loans to credit and financial institutions and due from banks, net	1,837,539	454,899	421,306	17,418	51	-	2,731,213
Loans to customers, net	904,407	928,720	1,921,652	2,932,535	7,870,041	1,091,766	15,649,121
Financial lease receivables, net of impairment losses	189,186	165,076	238,706	584,961	495,557	-	1,673,486
Investment securities – available for sale	-	-	-	-	-	376	376
Investment securities – held to maturity	-	-	-	-	14,148	-	14,148
Intangible fixed assets	-	-	-	-	-	132,970	132,970
Property, plant and equipment	-	-	-	-	-	33,962	33,962
Investment property	-	-	-	-	-	40,702	40,702
Other assets, net	13,000	76	765	139	1	374,965	388,946
Total assets	**7,075,354**	**2,708,643**	**2,587,742**	**3,771,499**	**8,781,758**	**1,717,165**	**26,642,161**
Liabilities and shareholders' equity							
Amounts owed to the Central Banks	32	-	-	-	-	-	32
Amounts owed to credit and financial institutions	1,409,293	838,132	1,632,111	5,300,821	955,324	-	10,135,681
Derivative financial instruments	5,875	41,541	3,504	28,857	159,909	-	239,686
Deposits from the public	9,725,349	1,061,103	1,226,891	118,799	20,857	-	12,152,999
Subordinated loans	-	2,522	-	-	241,696	-	244,218
Debt securities in issue	9,432	14,419	26,781	158,373	8,856	347,737	565,598
Other liabilities and provisions	937,674	18,394	3,577	5,362	6,563	1,618	973,188
Equity	-	-	-	-	-	2,330,759	2,330,759
Total liabilities and shareholders' equity	**12,087,655**	**1,976,111**	**2,892,864**	**5,612,212**	**1,393,205**	**2,680,114**	**26,642,161**
Net assets (liabilities) before off balance sheet items	(5,012,301)	732,532	(305,122)	(1,840,713)	7,388,553	(962,949)	-
Off balance sheet items (net)	1,944,667	97,868	110,393	173,341	7,167	802	2,334,238
Net assets (liabilities)	**(6,956,968)**	**634,664**	**(415,515)**	**(2,014,054)**	**7,381,386**	**(963,751)**	**(2,334,238)**

The Group's liquidity analysis as of 31 December 2010:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Total assets	3,543,756	1,291,869	2,251,134	4,951,764	8,764,595	1,754,711	22,557,829
Total liabilities and shareholders' equity	9,225,869	833,837	1,426,798	7,477,835	1,370,411	2,223,079	22,557,829
Off balance sheet items (net)	1,900,780	275,832	32,696	39,701	53,592	1,538	2,304,139
Net assets (liabilities)	**(7,582,893)**	**182,200**	**791,640**	**(2,565,772)**	**7,340,592**	**(469,906)**	**(2,304,139)**

	The Group		The Bank	
	2011	2010	2011	2010
Liquidity ratio	**46.80%**	**37.36%**	**46.12%**	**35.88%**

Liquidity ratio is calculated according to requirements of the Central Bank of Lithuania.

As of 31 December 2011 and 2010 and during these years the Group's and the Bank's liquidity ratio exceeded the statutory minimum required by the Bank of Lithuania (30 percent).

NOTE 38 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY (CONTINUED)

Tables above show assets and liabilities structure by contractual/actual maturities. When managing liquidity, the bank is using expected maturities, which are based on historical evidence (e.g. in respect of current deposits from public portfolio staying on balance sheet much longer than 3 months). Based on this data and also taking into account credit line facility from the Parent as available liquidity reserve, liquidity is manageable within the 12 months from the balance sheet date.

NOTE 39 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; investments in credit and financial institutions above 10 percent of their equity; and IRB provision shortfall.

The risk-weighted assets are measured by using two methods – Standardized and Internal Ratings Based Approach (IRB). According to Standardized method assets are divided into 16 asset classes, IRB – 7. Considering the method used asset class, eligible collateral or guarantees, risk classes, scoring pools, country of the counterparty and other factors risk weight to every exposure is assigned.

The table below summarises the components of capital adequacy calculation and the ratios of the Group and the Bank for the years ended 31 December 2011:

	The Group	**The Bank**
Tier 1 capital (less intangible assets)	1,729,262	1,626,127
Tier 2 capital	597,044	556,941
of which IRB provision excess	44,596	4,493
Less deductible investments	-	(165,768)
Less IRB provision shortfall	-	-
Risk weighted assets	17,113,800	15,590,963
of which risk weighted assets due to transitional capital requirements	-	-
Capital adequacy ratio before adjustment of capital requirements according to Basel II requirements as of 31 December 2011	**13.59%**	**12.94%**
Capital adequacy ratio according to Basel II requirements as of 31 December 2011	**13.59%**	**12.94%**

The table below summarises the components of capital adequacy calculation and the ratios of the Group and the Bank for the years ended 31 December 2010:

	The Group	**The Bank**
Tier 1 capital (less intangible assets)	1,713,220	1,611,190
Tier 2 capital	997,473	956,219
of which IRB provision excess	75,575	34,321
Less deductible investments	-	(76,734)
Less IRB provision shortfall	-	-
Risk weighted assets	16,989,990	15,162,370
of which risk weighted assets due to transitional capital requirements	-	-
Capital adequacy ratio before adjustment of capital requirements according to Basel II requirements as of 31 December 2010	**15.95%**	**16.43%**
Capital adequacy ratio according to Basel II requirements as of 31 December 2010	**15.95%**	**16.43%**

NOTE 40 NET FOREIGN CURRENCY POSITION

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 as of 31 December 2011:

The Group				The Bank	
Position	Percentage of capital	Currency	Rates	Position	Percentage of capital
2,457,283	105.63	EUR	3.4528	2,385,155	118.24
1,377	0.06	U.S. Dollars (USD)	2.6694	1,106	0.05
(55)	-	Canadian Dollars (CAD)	2.6088	(55)	-
610	0.03	Russian Rubles (RUB)	0.08333	610	0.03
		Estonian Crone (EEK)			
5,875	0.25	The remaining long positions	N/A	5,433	0.27
(383)	(0.02)	The remaining short positions	N/A	(418)	(0.17)
7,862	**0.34**	**Open long position**	**N/A**	**7,149**	**0.35**

As of 31 December 2010:

The Group				The Bank	
Position	Percentage of capital	Currency	Rates	Position	Percentage of capital
2,273,444	83.87	EUR	3.4528	2,448,428	98.30
(738)	(0.03)	U.S. Dollars (USD)	2.6099	(835)	(0.03)
23	-	Canadian Dollars (CAD)	2.6108	23	-
(45)	-	Russian Rubles (RUB)	0.08554	(45)	-
3,991	0.15	Estonian Crone (EEK)	0.22067	3,991	0.16
5,682	0.21	The remaining long positions	N/A	5,152	0.21
(4,222)	0.16	The remaining short positions	N/A	(4,269)	(0.17)
9,696	**0.36**	**Open long position**	**N/A**	**9,166**	**0.37**

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

As of 31 December 2011 and 2010 the Group complied with the foreign currency open position requirements set forth by the Bank of Lithuania.

Foreign exchange risk has also been measured by using Value at Risk model, see note 41.

NOTE 41 INTEREST RATE RISK MANAGEMENT

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	**2011**	**2010**
Effect to net interest income (∆NII)	57.4	57.9
Effect to the market value of shareholders equity (delta 1%)	24.5	22.6
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Bank)	2.4	2.3
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Group)	2.4	2.1

The Bank performs the interest rate risk management on the Group via provision of financing for its subsidiaries, and uses derivatives for hedging of interest rate risk.

NOTE 41 INTEREST RATE RISK MANAGEMENT (CONTINUED)

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

The Group			The Bank	
2011	**2010**		**2011**	**2010**
12,082	21,246	Interest rate risk (stand-alone)	12,043	20,795
8,556	31,020	Credit spread risk (stand-alone)	8,556	31,020
63	100	Foreign exchange risk (stand-alone)	63	100
233	312	Equity price risk (stand-alone)	233	312
(631)	(347)	Diversification effect	(631)	(344)
20,304	**52,332**	**Total**	**20,265**	**51,884**

VaR figures in table above include both banking and trading books.

In 2011, for the purpose of risk calculation, a new VaR model was launched. The new historic simulation model enables a more conservative risk assessment approach in troubled times, also, the model takes into consideration new risk factors, which previously had not been taken into account – in debt securities' risk assessment, it is not only base interest rate volatility, but also the issuer's credit spread that is taken into account. In 2011, market risk VaR as against that in 2010 decreased due to lower volatility of market factors (market interest rates, credit spread, share prices, FX rates) and due to shorter maturity of debt securities.

The table below provides the Group's interest rate gap analysis as of 31 December 2011:

Maturity	**Up to 1 year**	**1 - 3 year**	**Over 3 years**	**Total**
Assets				
Net loans	12,606,451	371,988	2,678,491	15,656,930
Finance lease receivable, net	1,611,397	48,782	10,006	1,670,185
Debt securities	1,206,214	217,943	258,619	1,682,776
Interbank deposits and net loans	2,175,022	-	-	2,175,022
Other assets	-	-	-	-
Off balance sheet assets	4,337,157	933,808	5,076,966	10,347,931
Total interest rate sensitive assets	**21,936,241**	**1,572,521**	**8,024,082**	**31,532,844**
Liabilities				
Term deposits	4,164,660	117,862	20,552	4,303,074
Interbank deposits and loans	7,276,289	1,760,602	644,573	9,681,464
Other liabilities	390,665	151,111	8,758	550,534
Off balance sheet liabilities	3,912,809	1,106,448	5,322,114	10,341,371
Total interest rate sensitive liabilities	**15,744,423**	**3,136,023**	**5,995,997**	**24,876,443**
Gap	**6,191,818**	**(1,563,502)**	**2,028,085**	**6,656,401**
Assets, non sensitive to interest rate				5,457,248
Liabilities and equity, non sensitive to interest rate				12,107,089

NOTE 41 INTEREST RATE RISK MANAGEMENT (CONTINUED)

The table below provides the Group's interest rate gap analysis as of 31 December 2010:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	12,397,453	432,682	2,927,891	15,758,026
Finance lease receivable, net	1,617,423	64,021	10,920	1,692,364
Debt securities	115,874	1,479,146	258,237	1,853,257
Interbank deposits and net loans	622,221	-	-	622,221
Other assets	-	-	-	-
Off balance sheet assets	3,792,969	1,499,722	4,904,423	10,197,114
Total interest rate sensitive assets	**18,545,940**	**3,475,571**	**8,101,471**	**30,122,982**
Liabilities				
Term deposits	3,062,770	58,577	27,168	3,148,515
Interbank deposits and loans	2,195,713	5,864,306	1,124,353	9,184,372
Other liabilities	465,606	138,383	19,968	623,957
Off balance sheet liabilities	2,357,324	2,690,217	5,149,573	10,197,114
Total interest rate sensitive liabilities	**8,081,413**	**8,751,483**	**6,321,062**	**23,153,958**
Gap	**10,464,527**	**(5,275,912)**	**1,780,409**	**6,969,024**
Assets, non sensitive to interest rate				2,631,961
Liabilities and equity, non sensitive to interest rate				9,600,985

The table below provides the Bank's interest rate gap analysis as of 31 December 2011:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	13,073,027	371,988	2,668,291	16,113,306
Debt securities	1,205,890	217,609	258,287	1,681,786
Interbank deposits and net loans	2,175,022	-	-	2,175,022
Other assets				-
Off balance sheet assets	4,337,157	933,808	5,076,966	10,347,931
Total interest rate sensitive assets	**20,791,096**	**1,523,405**	**8,003,544**	**30,318,045**
Liabilities				
Term deposits	4,348,660	117,862	20,552	4,487,074
Interbank deposits and loans	6,344,033	1,553,434	644,573	8,542,040
Other liabilities	390,665	151,111	8,758	550,534
Off balance sheet liabilities	3,912,809	1,106,448	5,322,114	10,341,371
Total interest rate sensitive liabilities	**14,996,167**	**2,928,855**	**5,995,997**	**23,921,019**
Gap	**5,794,929**	**(1,405,450)**	**2,007,547**	**6,397,026**

NOTE 41 INTEREST RATE RISK MANAGEMENT (CONTINUED)

The table below provides the Bank's interest rate gap analysis as of 31 December 2010:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	12,860,441	432,682	2,927,891	16,221,014
Debt securities	115,874	1,478,523	258,237	1,852,634
Interbank deposits and net loans	622,221	-	-	622,221
Other assets	-	-	-	-
Off balance sheet assets	3,792,969	1,499,722	4,904,423	10,197,114
Total interest rate sensitive assets	**17,391,505**	**3,410,927**	**8,090,551**	**28,892,983**
Liabilities				
Term deposits	3,160,187	58,577	27,168	3,245,932
Interbank deposits and loans	1,021,761	5,553,554	1,124,353	7,699,668
Other liabilities	465,606	138,383	19,968	623,957
Off balance sheet liabilities	2,357,324	2,690,217	5,149,573	10,197,114
Total interest rate sensitive liabilities	**7,004,878**	**8,440,731**	**6,321,062**	**21,766,671**
Gap	**10,386,627**	**(5,029,804)**	**1,769,489**	**7,126,312**
Assets, non sensitive to interest rate				2,332,393
Liabilities and equity, non sensitive to interest rate				9,458,705

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS

As of 31 December 2011 both the Group and the Bank 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 the Group nor the Bank 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 UAB SEB Venture Capital entity for the year ended 31 December 2011 and 2010

	2011	2010
Interest income	751,914	767,825
Interest expenses	(398,857)	(498,763)
Net interest income	**353,057**	**269,062**
Impairment (losses)/reversals on loans	124,092	(119,346)
Impairment (losses)/reversals on lease portfolio	201,630	(41,350)
Provisions for guarantees and other off balance sheet items	5,789	6,793
Other impairment losses	-	(2)
Total impairment losses	**331,511**	**(153,905)**
Net interest income after provisions	**684,568**	**115,157**
Net service charges and other income	173,133	189,122
Net gain on equity investments	1,415	3,061
Net loss on operations with debt securities and financial instruments	(38,671)	(31,116)
Net (loss) gain on disposal of subsidiaries	(1,166)	29,700
Net foreign exchange gain	54,741	59,522
Impairment loss on investment in available for sale securities	(390)	-
Staff costs	(139,497)	(130,564)
Other administrative expenses	(203,190)	(177,493)
Operating (loss) profit	**530,943**	**57,389**
Impairment loss on intangible assets	-	(71,755)
Profit before income tax	**530,943**	**(14,366)**
Income tax	(60,312)	(2,196)
(Loss) Profit for the year from continuing operations	**470,631**	**(16,562)**
Profit for the year from discontinued operations	-	-
Net (loss) income	**470,631**	**(16,562)**
Attributable to:		
Equity holders of the parent	470,631	(16,562)
(Loss) Profit for the year from continuing operations	*470,631*	*(16,562)*
Profit for the year from discontinued operations	-	-
Non controling interest	-	-
(Loss) Profit for the year from continuing operations	-	-
(Loss) Profit for the year from discontinued operations	-	-
	470,631	**(16,562)**

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Comprehensive Income for the Group excluding UAB SEB Venture Capital entitys for the year ended 31 December 2011 and 2010

	2011	2010
Net gain (loss) income for the year	**470,631**	**(16,562)**
Other comprehensive income:		
Net gain on available for sale assets	**(4,157)**	**3,956**
- Net (loss) gain, before taxes	*(4,157)*	*3,956*
Amortisation of financial assets revaluation reserve of reclassified financial assets	3,075	3,025
Income tax relating to the components of other comprehensive income	195	(1,050)
Total other comprehensive income	**(887)**	**5,931**
Total comprehensive income	**469,744**	**(10,631)**

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Financial Position of the Group excluding UAB SEB Venture Capital entity as of 31 December 2011 and 2010

	2011	2010
Assets		
Cash in hand	634,922	428,427
Balances with the Central Banks	3,438,209	527,258
Due from banks, net	2,718,507	1,177,833
Government securities available for sale	52,911	164,895
Financial assets at fair value through profit and loss	28,376	45,733
Derivative financial instruments	193,054	233,911
Loans to credit and financial institutions, net	12,706	55,399
Loans to customers, net	15,678,432	15,680,730
Finance lease receivable, net	1,673,632	1,694,691
Investment securities:		
- loans and receivables	1,588,260	1,629,290
– available for sale	376	1,276
– held to maturity	14,148	13,832
Investments in subsidiaries	25,000	25,000
Intangible fixed assets	132,970	148,733
Property, plant and equipment	32,960	45,988
Assets under operating lease	841	2,581
Investment property	40,702	51,474
Deferred tax asset	212,663	272,900
Other assets, net	174,578	363,393
Total assets	**26,653,247**	**22,563,344**
Liabilities		
Amounts owed to the Central Banks	32	38
Amounts owed to credit and financial institutions	10,135,681	9,295,615
Derivative financial instruments	239,686	334,427
Deposits from the public	12,158,994	9,644,674
Accrued expenses and deferred income	35,907	29,824
Income tax payable	-	-
Subordinated loans	244,218	597,172
Debt securities in issue	565,598	663,177
Other liabilities and provisions	937,109	134,956
Total liabilities	**24,317,225**	**20,699,883**
Equity		
Equity attributable to equity holder of the parent		
Paid in capital	1,034,575	1,034,575
Reserve capital	2,200	1,034
Financial assets revaluation reserve	(9,737)	(8,850)
Legal reserves	193,822	164,540
General and other reserves	12,497	10,846
Net income for the period and retained earnings	1,102,665	661,316
	2,336,022	1,863,461
Non controlling interest	-	-
Total equity	**2,336,022**	**1,863,461**
Total liabilities and equity	**26,653,247**	**22,563,344**

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Changes in Equity of the Group excluding UAB SEB Venture Capital entity for the year ended 31 December 2011 and 2010

	Equity attributable to equity holder of the parent								
	Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total before non controling interest	Non controlling interest	Total
31 December 2009	**1,034,575**	**1,034**	**(14,781)**	**134,273**	**9,778**	**362,865**	**1,527,744**	**-**	**1,527,744**
Net change in available for sale investments, net of deffered tax	-	-	2,906	-	-	-	2,906	-	2,906
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	3,025	-	-	-	3,025	-	3,025
Net loss for the period	-	-	-	-	-	(16,562)	(16,562)		(16,562)
Net income (loss) recognized directly in equity	-	-	*5,931*	-	-	*(16,562)*	*(10,631)*	-	*(10,631)*
Shareholder's contribution	-	-	-	-	-	345,280	345,280	-	345,280
Share-based compensation	-	-	-	-	1,068	-	1,068	-	1,068
Transfer to reserves	-	-	-	30,265	-	(30,265)	-	-	-
31 December 2010	**1,034,575**	**1,034**	**(8,850)**	**164,540**	**10,846**	**661,316**	**1,863,461**	**-**	**1,863,461**
Net change in available for sale investments, net of deffered tax	-	-	(3,962)	-	-	-	(3,962)	-	(3,962)
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	3,075	-	-	-	3,075	-	3,075
Net income for the period	-	-	-	-	-	470,631	470,631		470,631
Net income recognized directly in equity	-	-	*(887)*	-	-	*470,631*	*469,744*	-	*469,744*
Sales of UAB *SEB Enskilda*	-	1,166	-	-	-	-	1,166	-	1,166
Share-based compensation	-	-	-	-	1,651	-	1,651	-	1,651
Transfer to reserves	-	-	-	29,283	-	(29,283)	-	-	-
31 December 2011	**1,034,575**	**2,200**	**(9,737)**	**193,822**	**12,497**	**1,102,665**	**2,336,022**	**-**	**2,336,022**

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Cash Flows of the Group excluding UAB SEB Venture Capital entity for the year ended 31 December 2011 and 2010

	2011	2010
Cash from operating activities		
Interest income received	734,432	775,400
Interest expenses paid	(414,519)	(542,064)
Net foreign currency exchange gain	40,423	41,790
Unrealised translation gain	14,315	17,732
Net gain in securities trading and financial instruments	4,638	25
Net (loss) gain in derivatives trading	(43,507)	7,972
Net commission and service income	174,596	189,236
Staff costs	(136,884)	(131,540)
Other payments	(154,084)	(157,687)
Net cash from operating activities before change in operating assets	**219,410**	**200,864**
Changes in operating assets		
Increase in compulsory balances with the Central Bank	(857,489)	(11,145)
(Increase) decrease in due from banks and loans to credit and financial institutions	(1,885,165)	990,178
Decrease in loans to customers	160,481	1,390,178
Decrease of finance lease receivable	450,914	728,733
(Increase) decrease in other current assets	(31,461)	18,798
Net change in operating assets	**(2,162,720)**	**3,116,742**
Changes in operating liabilities		
Increase (decrease) in deposits from public	2,515,269	(30,265)
Increasein accrued expenses, deferred income and other liabilities	796,584	57,903
Net change in operating liabilities	**3,311,853**	**27,638**
Net cash (to) from operating activities before income tax	**1,368,543**	**3,345,244**
Income tax paid	-	(222)
Net cash (to) from operating activities after income tax	**1,368,543**	**3,345,022**
Cash flow from (to) investing activities		
Acquisition of tangible and intangible fixed assets, net	(8,883)	(65,536)
Acquisition of Government securities available for sale	(44,763)	(110,636)
Sale of Government securities available for sale	156,011	18,476
Disposal of subsidiaries, net of cash disposed	8,194	67,767
Acquisition of other investment securities	(4,156,970)	(2,713,233)
Sale of other investment securities	4,166,431	2,756,106
Cash used in (to) investing activities	**120,020**	**(47,056)**
Cash flow from (to) financing activities		
Shareholder contributions	-	345,280
Increase (decrease) in amounts owed to the Central Banks	(6)	7
(Decrease) increase in amounts owed to credit and financial institutions	840,400	(4,320,558)
Decrease in subordinated loans	(352,186)	-
Interest paid on subordinated loans	(11,872)	(13,233)
Debt securities issued, net		(85,670)
Proceeds from own issued debt securities	76,698	-
Repurchased own issued debt securities	(162,706)	-
Interest paid for own issued debt securities	(6,128)	-
Cash received (used in) financing activities	**384,200**	**(4,074,174)**
Net increase (decrease) in cash	1,872,763	(776,208)
Cash 1 January	**1,523,655**	**2,299,863**
Cash 31 December	**3,396,418**	**1,523,655**
Specified as follows:		
Balance available for withdrawal with the Central Banks	2,184,595	131,133
Overnight deposits	29,812	395,858
Cash on hand	634,922	428,427
Current accounts with other banks	547,089	568,237
	3,396,418	**1,523,655**

NOTE 43 RELATED PARTIES

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

The Group			Interest rate %	The Bank	
2011	2010			2011	2010
89,093	25,714	Outstanding loan amount at the year end	0.45-3.345	88,552	25,349
-	-	Derivative financial instruments at the year ended		-	-
2,421	2,220	Other assets at the year end		2,352	2,032
55,265	57,200	Outstanding deposit amount at the year end	0.1-0.45	55,265	57,200
13,977	4,371	Other liabilities at year end		13,392	1,707
55	2,333	Unused granted overdraft facilities		55	2,333
5,973	7,269	Guarantees issued at the year end		5,973	7,269
70,926	79,730	Guarantees received at the year end		70,926	79,730
-	-			-	-
679	518	Interest income		657	506
(311)	(138)	Interest expense		(311)	(138)
(10,450)	(3,530)	Other services received and cost incurred from SEB group, net		(11,206)	(4,274)

Transactions with parent bank during the year can be specified as follows:

The Group			Interest rate %	The Bank	
2011	2010			2011	2010
2,538,753	1,113,577	Outstanding loan amount at the year end	0.45-3.00	2,538,342	1,113,473
35,153	73,984	Derivative financial instruments at the year ended	-	35,153	73,984
498	738	Other assets at the year end	-	38	150
9,378,204	9,172,930	Outstanding deposit amount at the year end	0.52-5.5	8,224,866	7,672,638
597,936	651,245	Other liabilities at year end	-	597,936	651,176
17	199	Unused granted overdraft facilities	-	17	29
464	-	Guarantees issued at the year end	-	464	-
3,218	3,216	Guarantees received at the year end	-	3,218	3,216
22,865	9,352	Interest income	-	22,852	9,348
(346,920)	(346,857)	Interest expense	-	(310,956)	(305,078)
(8,201)	(4,273)	Other services received and cost incurred from SEB group, net	-	(13,802)	(11,320)

NOTE 43 RELATED PARTIES (CONTINUED)

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

	Interest rate %	The Bank 2011	The Bank 2010
Off-balance sheet commitments as of 31 December:			
Agreements to grant loans	-	101,927	197,569
Guarantees issued	-	1,787	13,330
Letters of credit issued	-	-	752
Outstanding loan amounts at year end:			
AB SEB Lizingas	0.304-1.757	426,596	451,237
UAB SEB Venture Capital	3.417	40,004	14,001
Outstanding deposit amounts at year end:			
UAB SEB Venture Capital	0.1	5,995	1,333
UAB SEB Investicijų Valdymas	0.05-1.8	18,344	17,774
UAB SEB Enskilda	-	n/a	9,325
AB SEB Lizingas	0.1-1.55	176,185	92,942
Other assets at year end	-	1,916	2,361
Other liabilities at year end	-	9	7
Interest income	-	5,094	6,688
Interest expense	-	(1,446)	(2,241)
Dividend income	-	6,064	3,734
Other services received and cost incurred from subsidiaries, net	-	11,849	(46,560)
Impairment losses for loan outstanding from AB SEB Lizingas	-	-	391,000

As of 31 December 2009 the Bank has accounted for a provision for the loan receivable from subsidiary AB SEB Lizingas in the amount of LTL 391,000 thousand, that were reversed in 2010, when several loans where capitalised to cover AB SEB Lizingas losses (see note 25).

For the year 2011 the Bank disbursed LTL 245,854 thousand (2010: LTL 374,091 thousand) to AB SEB Lizingas according lending agreements.

Transactions with venture capital associates during the year can be specified as follows:

The Group 2011	The Group 2010		Interest rate %	The Bank 2011	The Bank 2010
51,774	7,600	Outstanding loan amount at the year end	3.59-6.76	40,618	3,879
441	91	Outstanding deposit amount at the year end	-	441	91
-	202	Agreements to grant loans and other off balance commitments	-	-	202
1,743	689	Interest income	-	809	365
(5)	(2)	Interest expense	-	(5)	(2)
76	29	Other services received and cost incurred, net	-	76	27

NOTE 43 RELATED PARTIES (CONTINUED)

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 2011	The Group 2010		Interest rate %	The Bank 2011	The Bank 2010
4,279	4,846	Outstanding loan amount at the year end	3	4,279	4,846
-	1	Finance lease receivable	-	-	-
12	40	Other assets	-	12	40
1,109	774	Outstanding deposit amount at the year end	0.05-0.9	1,109	774
-	81	Commitments to grant loans at the year end	-	-	81
2,632	2,692	Payroll	-	2,632	2,692
803	828	Social security	-	803	828
315	1,241	Other payments (incl. social security)	-	315	1,241
133	148	Interest income	-	133	148
(3)	(11)	Interest expense	-	(3)	(11)
10	2	Other income, net	-	10	2

NOTE 44 ASSETS CLASSIFIED AS HELD FOR SALE

As of 31 December 2011 and 2010 major amount of the Group's non-current assets held for sale comprise of UAB SEB lizingas foreclosed assets held for sale (mainly trucks and other vehicles), that are expected to be sold in one year. These assets are classified as non-current assets held for sale as they have been accounted as finance lease portfolio before foreclosure and as of the balance sheet date these assets are ready for immediate sale and the Group's management is committed to a plan to sell these assets..

Assets foreclosed or returned after termination of lease agreements are presented in the table below:

Asset group	Net value as of 31 December 2010	Foreclosed or returned	Reclassified to investment property	Decrease in value	Sold	Net value as of 31 December 2011
Cars and mini-vans	2,408	43,286	-	-	44,667	1,027
Trucks	10,014	9,811	-	-	17,268	2,557
Manufacturing equipment	3,999	2,030	-	178	2,291	3,560
Construction equipment	3,595	2,467	-	310	5,605	147
Agricultural equipment	48	449	-	-	162	335
Real estate	25,847	546	2,022	2,445	2,977	18,949
Other assets	1,683	1,786	-	-	2,113	1,356
	47,594	60,375	2,022	2,933	75,083	27,931

Net assets classified as held for sale are presented in the table below:

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
93,129	133,357	Foreclosed assets or assets returned after termination of agreements	29	29
(65,169)	(85,734)	Impairment losses	-	-
27,960	**47,623**	**Foreclosed assets or assets returned after termination of agreements, net**	**29**	**29**

NOTE 45 APPROPRIATION OF PROFIT AND TRANSFERS OF RESERVES

The following Bank's loss appropriations and transfers of reserves will be proposed to annual shareholders meeting:

	Legal reserve	Net profit for the period	Retained earnings
31 December 2011	**191,184**	**379,762**	**531,297**
Profit (loss) appropriation to Legal reserve	45,553	-	(45,553)
Profit (loss) appropriation to Retained earnings	-	(379,762)	379,762
31 December 2011 after appropriation of profit and transfers to reserves	**236,737**	**-**	**865,506**

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

NOTE 46 CONTINGENCIES AND COMMITMENTS

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
2,089,755	1,937,253	Agreements to grant loans	2,191,682	2,134,822
512,979	491,480	Guarantees issued	514,766	504,810
212,417	102,511	Letters of credit issued	212,417	103,263
24,866	259,857	Commitments to purchase assets and other commitments	-	-
-	12	Commitments to sell securities		12
38	38	Customs guarantees collateralised by deposits	38	38

Legal proceedings

There were several proceedings outstanding against the Group and the Bank at 31 December 2011 and 2010. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

As of 31 December 2011 rental off balance sheet commitments of the Group amounted to LTL 162,278 thousand (2010: LTL 168,461 thousand) and rental off balance sheet commitments of the Bank amounted to LTL 160,899 thousand (2010: LTL 167,266 thousand). All non-cancellable commitments fall into the period within ten years.

The table below presents operating lease amounts for the year 2011 when the Group and the Bank is lessee:

The Group 2011	The Group 2010		The Bank 2011	The Bank 2010
		The total of future minimum lease payments under non-cancellable operating leases:		
33,761	32,263	*up to 1 year*	33,314	31,595
102,457	87,913	*1-5 years*	101,525	87,386
26,060	48,285	*Over 5 years*	26,060	48,285
(2,836)	(2,492)	The total of future minimum sublease payments to be received under non-cancellable subleases	(2,821)	(2,357)
		Lease and sublease payments recognised in the income statement:		
35,051	37,620	*minimum lease payments*	34,373	36,963
-	-	*contingent rents*	-	-
(2,746)	(1,864)	*sublease payments*	(2,553)	(1,685)

During the year 2011 the Group incurred rent expense amounting to LTL 32,795 thousand while AB SEB bank – LTL 32,020 thousand (for the year 2010 respectively: LTL 37,705 thousand and LTL 36,963 thousand).

NOTE 46 CONTINGENCIES AND COMMITMENTS (CONTINUED)

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

The Group			The Bank	
2011	**2010**		**2011**	**2010**
1,913	945	Short term deferred income (up to 1 year)	1,513	3
160	1,639	Long term deferred income (up to 5 years)	-	-
2,073	**2,584**	**Total future lease and rental payments under non-cancellable operating lease**	**1,513**	**3**

NOTE 47 POST BALANCE SHEET EVENTS

After the balance sheet date the Bank successfully completed 5 debt securities issues with the nominal value of LTL 2,491 thousand.

After the balance sheet date the Bank successfully redeemed 7 debt securities issues with the nominal value of LTL 6,323 thousand.

After the balance sheet date the Bank started placing 4 debt securities issues that should be completed on 2nd of April

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Disclosure form concerning the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius

The public company *AB SEB Bank*, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it 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.	NOT APPLICABLE	
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 recommendations/ provisions of these principles are adhered to at 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. The supervisory council 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 (e.g. formation of the committees), 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 the 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 desired composition of the collegial body shall be determined 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. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	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, three and four 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.	NOT APPLICABLE	The Bank has a single shareholder.
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	NOT APPLICABLE	The Bank has a single shareholder.

[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.

includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined 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.	NO	Up to now Supervisory Council members were not.
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.	NOT APPLICABLE	
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.**		

[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.

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.
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.

[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.

[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.

4.4. 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	
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. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	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[11]. 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 and Remuneration committees are formed in the Bank. There is one independent member in the Audit Committee.
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 exercise independent judgement and integrity when exercising its functions as well as 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 and Remuneration committees.
4.9. Committees established by the collegial body should normally be composed of at least three	NO	The provision regarding the minimum number of committee members is met. The Audit and

[11]The Law of the Republic of Lithuania on Audit (Official Gazette, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. 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.		Remuneration committees are not composed of independent members of the Supervisory Council, as there are no such members in the Supervisory Council at all. There is one independent member in the Audit Committee, but he is not a member of the Supervisory Council.
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 and Remuneration committees function in accordance with the regulations approved by the Supervisory Council that establish the authority of the committees. NO – the annual report does not include information on the meetings of the committees.
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.	YES	

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:	YES	Yes – the Remuneration Committee acts according to the Regulations of the Remuneration Committee approved by the Supervisory Council.
• 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;	YES	Yes – the Remuneration Committee submits proposals to the Bank's Supervisory Council regarding the Remuneration Policy of the Bank's Group and amendments thereof, as well as the list of employees accepting the risk of the Bank's Group and other related issues. The Remuneration Policy of the Bank's Group includes all forms of remuneration, including fixed pay and variable pay forms. The Remuneration Committee also submits proposals to the Bank's Supervisory Council regarding the remuneration of the President and Vice-Presidents, members of the Management Board, heads of the Internal Audit, Compliance and Risk Control.
• Make proposals to the collegial body on the individual remuneration for executive directors and	YES	Yes – the Remuneration Committee has all necessary information and submits proposals to

member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;		the Bank's Supervisory Council regarding the individual remuneration of the President and Vice-Presidents, members of the Management Board, heads of the Internal Audit, Compliance and Risk Control.
• Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;	YES	
• Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;	YES	
• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;	YES	
• 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);	YES	
• 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.	YES	Yes – the Remuneration Committee considers and submits recommendations on the individual remuneration (including pension plans) of the heads of the Bank, which are directly subordinate to the President and the members of the Management Board of the Bank.
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.	YES	Yes – the Remuneration Committee prepares long-term employee incentive programs and submits thereof to the Bank's Supervisory Council for approval.
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.	YES	
4.13.4. The remuneration committee should report on	NO	There is no such practice. The Remuneration

the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		Committee is accountable to the Bank's Supervisory Council, members of which are the representatives of the sole shareholder of the Bank.
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 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	Audit company is selected at the SEB Group level. 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	YES	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.

the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.	YES	
4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.	YES	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. Note: The Bank does not carry on activities in any off-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	NO	There is no formal procedure set.

independent investigation of these issues and for appropriate follow-up action. 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[12].	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).
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.

[12] 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.

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.	NOT APPLICABLE	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 general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	NO	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.
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.	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. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, 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.

[13] 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 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.

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.
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 by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, 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) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	YES	The remuneration statement is made available to the public at least once a year together with the annual financial statements or by a separate notification and shall also be available on the Bank's website.
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 – the remuneration statement does not focus on remuneration policy for the following year. YES - the Remuneration Policy of the Bank's Group establishes the remuneration principles not only to the directors, but also to all employees. The remuneration statement includes decision making process seeking to establish and revise the principles of remuneration policy, and general quantitative information on remuneration to employees by excluding the Bank's management.

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; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to 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; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.	YES	The remuneration statement, in compliance with the bank's secret and personal data protection requirements, includes only information required by the legal acts, whereas other information, in Bank's opinion, is not to be placed in public domain from a commercial point of view.
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	The remuneration statement, in compliance with the bank's secret and personal data protection requirements, includes only information required by the legal acts, whereas other information, in Bank's opinion, is not to be placed in public domain from a commercial point of view. The remuneration statement includes the following general information on implementation of Remuneration Policy of the Bank's Group: allocation of redundancy payments in case of agreements' termination per financial year, number of beneficiaries and maximum amount per person; amount of guaranteed variable pay specified under the new agreements and redundancy payments in case of the agreements' termination per financial year and number of beneficiaries.

8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. 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. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • 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. 8.5.3. 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	NO	The remuneration statement, in compliance with the bank's secret and personal data protection requirements, includes only information required by the legal acts, whereas 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. The remuneration statement includes the following general information on implementation of Remuneration Policy of the Bank's Group: 1. general quantitative information on employee remuneration (the Bank's top management and employees accepting the risk of the Bank's Group excluded): - total amount of fixed and variable pay and the number of beneficiaries; - amount of variable pay split into benefits in cash, pension premiums, equities, equity-linked financial instruments, other financial and non-financial instruments; - amounts of non-disbursed deferred variable pay distributed into portions, allocated and non-allocated for employees; - amounts of disbursed and adjusted variable pay allocated in the specified financial year taking into consideration performance results; - amount of guarantied variable pay established under the new agreements and redundancy payments in case of agreements' termination per financial year and the number of beneficiaries; - allocation of redundancy payments in case of agreement termination per financial year, the number of beneficiaries and maximum amount per person; 2. variable pay portions and all other non-cash benefits' allocation reasons and criteria.

payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	YES	
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	YES	Variable pay is linked with performance results, the total remuneration amount shall be based on the overall assessment of the individual, business unit and the Bank's Group results. In order to assess the input of each employee the achieved financial results as well as non-financial criteria shall be taken into account.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	NO	The general provision of deferral does not apply to all employees, it applies only to the employees accepting the risk of the Bank's Group
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	NO	It is not possible for the Bank to reclaim amounts that were awarded, while amounts that were deferred may be reduced or not awarded at all. o tai, kas atidėta gali būti sumažinta arba iš viso neišmokama.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	YES	Payments related to termination of the employment contract are established according to the existing acts of law.

8.11. Termination payments should not be paid if the termination is due to inadequate performance.	YES	Payments related to termination of the employment contract shall be established taking into account the employee's performance results within the recent one-year period of employment at the Bank's Group and also that no reward is paid to employee (no reward for failure) if his/her activity resulted in losses of the Bank's Group, except mandatory payments approved according to the existing acts of law.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	YES	The remuneration statement includes information on the decision-making process to identify and review principles of the Remuneration Policy of the Bank's Group, including information on activities of the Remuneration Committee, external consultants, if the latter provided the policy drafting services.
8.13. Shares should not vest for at least three years after their award.	YES	
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	YES	
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	NO	There is no such practice.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	NOT APPLICABLE	Members of the Supervisory Council of the Bank receive no remuneration from the Bank.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	NOT APPLICABLE	

8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	NO	There is no such practice.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	NOT APPLICABLE	
8.20. 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.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	NO	There is no such practice.

8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	NO	There is no such practice.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	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.	NO	The Bank does not adhere to provision 6 under recommendation 10.1 because it is not required by the legal acts and is not important for the Bank. All other information is announced by the Bank in its annual and interim reports as required, as well as via different communication channels: on its website, notifications on material events, press releases, press conferences.
10.2. It is recommended to the company, which is the parent of other companies, 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.	NO	The Bank discloses this kind of information according to the requirements of laws. General quantitative information on remuneration of the members of the Management Board of the Bank is provided. In addition, yearly amounts calculated to the President of the Bank and the Chief Financial Officer of the Bank are provided separately.
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 Bank does not adhere to recommendations 10.4, as in the Bank's opinion the information on the relations between the Bank and persons with an interest in it, such as employees, creditors, suppliers, local community, including the Bank's policy regarding human resources, programmes for employee participation in the Bank'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	Notifications on material events are disclosed in such a way that everyone and at the same time would have equal possibilities to access and familiarize with information when such notifications are announced on stock exchange, website and via other channels – press releases, press conferences.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge 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, notifications on material 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 Bank 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 reports and interim reports 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.	NOT APPLICABLE	The audit company has not rendered any significant non-audit services to the Bank.