AB SEB BANK

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

CONTENTS

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Our report has been prepared in Lithuanian language and in English language. 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 Shareholders of AB SEB Bank

Report on the financial statements

We have audited the accompanying consolidated financial statements of AB SEB Bank and its subsidiaries (the 'Group') and the financial statements of AB SEB Bank (the 'Bank') set out in pages 46 – 115 which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

PRICEWATERHOUSECOOPERS

Opinion
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as of 31 December 2008 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2008 set out on pages 4 – 45 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 2008.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
10 March 2009

CONSOLIDATED ANNUAL REPORT FOR 2008
SEB BANK

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

The year 2008.

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

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

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

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

Name	**SEB Lizingas**
Main activity type	Financial lease
Legal – organisational form	Private Limited Company
Registration date and venue	19 April 1995, Vilnius
Company code	123051535
Legal address and domicile address	Saltoniškių str. 12, LT-08105 Vilnius
Telephone	(8 5) 2390 490
Facsimile	(8 5) 2390 401
E-mail address	lizingas@seb.lt
Website	www.elizingas.lt

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

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

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

Name	SEB Investicijų Valdymas
Main activity type	Various investment management services, consultancy services
Legal – organisational form	Private Limited Company
Registration date and venue	3 May 2000, Vilnius
Company code	125277981
Legal address	Gedimino ave. 12, LT-01103 Vilnius
Domicile address	Gedimino ave. 20, LT-01103 Vilnius
Telephone	(8 5) 2681 594
Facsimile	(8 5) 2681 575
E-mail address	info.invest@seb.lt
Website	www.seb.lt

On 8 December 2008, the Board of SEB Bank has decided to establish a subsidiary of SEB Bank with a legal form of a private limited liability company, name of the company – Litectus UAB, legal address – Jogailos g. 9/ A. Smetonos g. 1, Vilnius, Republic of Lithuania. Term of the subsidiary activity shall be of unlimited duration, its goal – to gain profit from sale-purchase and development of real estate, as well as from other activities not prohibited by legal acts of the Republic of Lithuania, subject of the company activity – sale-purchase of real estate; rent of real estate; development, administration and management of real estate. The subsidiary was registered with the Enterprise Register on 23 January 2009.

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

The Bank in the process of a public issue of bonds has to make an agreement with the selected public offering agent for the protection of the owners' of any relevant issue of bonds interests in accordance with the procedure established by the Company Law of the Republic of Lithuania.

Thus, as of 31 December 2008, the Bank had ten effective agreements with SEB Enskilda (legal entity code 2219 49450, legal address Gedimino ave. 12, Vilnius) and seventy one agreement with Orion Securities, a brokerage firm (legal entity code 1220 33915, legal address A. Tumėno str. 4, 9 floor, 01109 Vilnius).

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

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

As of 31 December 2008, two non-equity securities issues of SEB Bank were listed in the debt securities list of Nasdaq OMX Vilnius exchange (*see* tables below).

Type of securities	Zero-coupon bonds
ISIN code	LT0000401499
Number of securities (units)	254,987
Nominal value per unit (LTL)	100.00
Total nominal value (LTL)	25,498,700
Effective date of the issue	1 March 2008
Redemption date	9 March 2009
Interest rate	6.10 %

Type of securities	Coupon bonds
ISIN code	LT0000402299
Number of securities (units)	178,188
Nominal value per unit (LTL)	100.00
Total nominal value (LTL)	17,818,800
Effective date of the issue	8 March 2008
Redemption date	9 March 2010
Interest rate	6.40 %

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

5. *Objective overview of the Issuer Group's financial standing, performance and business development, description of major risks and uncertainties*

The year 2008 is referred to as the break-through year in Lithuania's economy. The country's economic growth was the slowest since 1999 – it was slowed down by weak internal demand and poor situation of the external markets. Banking sector was influenced by the trends in the entire economy: total profit of commercial banks compared to 2007 was lower.

We refer to the year 2008 as the break-through year in Lithuania's economy. The country's economic growth was the slowest since 1999 – it was slowed down by weak internal demand and poor situation of external markets. Banking sector was influenced by the trends of the whole market: total profit of commercial banks compared to 2007 was lower.

For SEB Bank Group in Lithuania it was a successful year, in the perspective of economic deceleration in the country and financial crisis in the whole world the Group's results were good. SEB Bank Group's expansion reflects countries economical situation – business volumes increases for the first three quarters of the year. In consideration of negative economical perspectives of the country and predicted recession of the markets, SEB Bank Group assessed credit risk in more conservative way and increased bad debt provision portfolio, therefore net profit decreased.

As of 21 January 2008, SEB Vilniaus Bankas changed its name into SEB Bank (previously, SEB Vilniaus Bankas) and completed the process of changing name that continued for more than two years and finally consolidated the Bank's membership in international finance group – SEB; the names of SEB Bank Group's branches, companies were also changed.

SEB Bank Group's net profit assessed on the basis of the International Financial Reporting Standards was LTL 257.8 million, which is a 49.4 per cent lower as compared to 2007, when it was LTL 509.7 million. SEB Bank Group's year 2007 profit includes a profit of LTL 86.6 million from sales of the Group's real estate and shares in its subsidiary company SEB VB Nekilnojamasis Turtas ('SEB VB Real Estate') in 2007. SEB Bank's net profit was LTL 347.7 million, or 29.9 percent lower as compared to 2007, when it was LTL 496.1 million.

During year 2008, SEB Bank Group in Lithuania took a more conservative approach in assessing its customers risks and increased bad debt provision for loans up to LTL 256.6 million (2007: LTL 40.6 million). SEB Bank maintained good loan portfolio quality: specific provisions for loans and loan portfolio ratio as at the end of year 2008 was 1.45 percent.

SEB Bank Group own equity as of 31 December 2008 was LTL 2.2 billion. SEB Bank capital adequacy ratio at the year end was 12.09 percent (minimum requirement is 8 percent). SEB Bank liquidity ratio at the year end was 38.99 percent (requirement is 30 percent).

During year 2008, SEB Bank Group's activities were efficient: cost/income ratio was 40.9 percent.

Over said period, net interest income increased by LTL 78.4 million, or by 13.7 per cent, reaching LTL 652.2 million. A decrease in net services and commissions income was LTL 3.1 million, i.e. 1.6 percent; total net services and commissions income was LTL 187.7 million. As of 31 December 2007, the SEB Bank Group's total assets reached LTL 29.5 billion, which is an LTL 1.5 billion, or a 5.5 per cent, increase year on year.

During 2008 SEB Bank Group customer number increased by 6.4 percent, or by 68 thousand reaching 1.127 million customers, including 1.065 million of private individual customers, 62.7 thousand corporate customers and 1.7 thousand largest customers and institutions.

As at the end of December 2008, SEB Bank had the country's largest market share in terms of customer loan and leasing portfolio (i. e. 30.1 percent of loan market and 38.2 percent of leashing market), over the year 2008, net worth of customer loan and leasing portfolio increased by 13 percent, from LTL 21.7 billion till LTL 24.5 billion. In order to maintain balanced growth, SEB Bank Group initiated conservative credit policy. Loan and leasing portfolio increased less compared to 2007: 14 percent and 8 percent respectively. During 2008, the portfolio of loans to private individuals increased by 22 percent and reached LTL 8.2 billion, its growth rate receding as compared to 2007: it was 64 percent. In 2007, SEB Bank's mortgage loan agreements, including bank loans against pledge of property, increased by 24 percent – from LTL 6.050 billion to LTL 7.510 billion. According to data from Būsto Paskolų Draudimas UAB, SEB Bank held leader position in terms of mortgage loan portfolio, including bank loans against pledge of property, i. e. 31.1 percent of total market. Over a year, consumer loan portfolio went up by 17 per cent and reached LTL 701 million.

Customer deposits decreased by 5.6 percent and were worth LTL 10.2 billion. Combined saving and investment portfolio of SEB Bank Group products, including deposits, issued debt securities, life insurance and investment and pension funds, during the same period decreased by 4.4 percent, or by LTL 0.6 billion, and amounted LTL 12.5 billion. SEB Bank held 27.5 percent of total deposits and issued debt securities market.

As of 31 December 2008 SEB Bank had 169 valid debt securities issues, with a total nominal value of LTL 1.79 billion. The Bank remained one of the leaders in terms of the total number of securities held in its custody. As of 31 December 2008, the market value of securities held by SEB Bank, a securities custodian, amounted to LTL 11.64 billion, and the relevant market share was 28.99 percent.

In 2007, SEB Bank increased the number of its services. Over a year, the number of payment cards issued by the bank increased by 7 percent – from 1.24 million to 1.32 million. In 2008, an increase in the number of settlement transactions by cards issued by the bank was 6 per cent, relevant settlement turnover being LTL 16.7 billion, which represents a 41.9 percent market share. During the year, average monthly turnover reached LTL 1.39 billion – 6 percent more compared to 2007.

The number of the bank's e-banking customers increased by 12.1 percent: from 718 thousand up to 805 thousand. The Number of payments submitted via e-channels over the reporting period increased by 26.6 percent. Over said period, the number of mobile (SMS) banking service users increased by 11.9 per cent: from 302 to 338 thousand.

As of 31 December 2008, SEB Bank had 77 customer service units. Over the year 2008, the bank opened 5 new customer service units. SEB Bank increased its automatic teller machines (ATM) network up to 329. Currently customers of SEB Bank may use the largest ATM network in Lithuania, jointly SEB Bank and DnB NORD bank have 503 ATM in 48 cities.

During 2008, the number of employees increased by 9.6 percent from 2,171 to 2,379, the increase being primarily due to an increase in the number of the Bank's employees by 12.2 percent – from 1,912 to 2,146. Mainly it was influenced by the customer service network expansion and the Bank's main information system change program, which will be continued in 2009. Staff costs increased up to LTL 176 million, or by 3 per cent.

During 2008, SEB Bank Group implemented its operational efficiency and change management programs. For the third consecutive year the Bank implemented SEB Way programme aimed at instilling the culture of continuous improvement that enables SEB Bank's subdivisions to be more effective in achieving its objectives. With a view to increase operational efficiency and ensure still higher customer satisfaction, a change process was started in the model and structure of the customer service subdivisions. In 2008, a key focus of SEB Bank was on customer service and sales culture improvement: for customer convenience, some of the customer service subdivisions in the country's major cities as well as the Bank's Call Centre, which provides telephone-banking services, started working on weekends, the Bank expanded its sub-branch network, developed and improved product and service sales via e-channels.

In 2008, SEB, a financial group, moved part of the Group's operational functions to Vilnius: in Lithuania, Vilnius Branch of Skandinaviska Enskilda Banken AB was established. At the end of 2008, Skandinaviska Enskilda Banken AB, Vilnius Branch had 70 employees handling bank accounts opened in Sweden as well as all relevant processes.

In December 2006, SEB Bank's major shareholder Skandinaviska Enskilda Banken started a squeeze-out process with a view to buy out the remaining portion of the bank's shares at a price approved by the Securities Commission of the Republic of Lithuania at LTL 266.95 per share. The process is still going on. Over said period, the bank effected no buy-outs of its own shares nor performed any transfer of its shares to any other owners.

In 2008, the SEB Bank Group met the prudential requirements of the Bank of Lithuania to a full extent. The Group manages its financial risks as described in the financial reports. The reports also describe the financial risk management objectives, risk hedging measures applied, the Group's credit risk classes and market risk levels.

In October 2008, international rating agency Fitch Ratings confirmed the ratings assigned to SEB Bank, among them, the long-term liabilities rating A.

As of 31 December 2008, SEB Bank's shareholding in its subsidiary companies was a follows: 255,000 shares of SEB Enskilda, its authorised capital being LTL 2.6 million; 603,355 shares in SEB Gyvybės Draudimas (SEB Life Insurance), its authorised capital being LTL 6 million; and 157,500 shares of SEB Investicijų Valdymas (SEB Asset Management), its authorised capital being LTL 1.6 million and 10,000 ordinary registered shares of SEB Lizingas (SEB Leasing), its authorised capital being LTL 10 million and 250,000 shares of SEB Venture Capital, its authorised capital being LTL 25 million.

Over 2008, the assets managed by SEB Investicijų Valdymas increased from LTL 1,272 billion up to LTL 1,626 billion or by 27.7 per cent. According to the data of Asset Management Companies Association, SEB Investicijų Valdymas was Lithuania's largest assets management company with a 43.4 per cent market share as at year end. According to the data of the Securities Commission, over 2008 an increase in the market share of SEB Investicijų Valdymas' mutual funds was from 30.9 per cent to 54.8 per cent. At the close of the year, the number of customers who gave preference to SEB Investicijų Valdymas' Pillar II pension funds was over 246 thousand participants, i. e. 26 per cent of the total number of pension reform participants. SEB Investicijų Valdymas' assets under management in Pillar II pension funds were worth LTL 670 million. At the close of the year, the company managed largest pension fund in Lithuania in terms of assets under management, namely, SEB Pensija 2, and its assets under management were worth LTL 468 million; it was chosen by about 185 thousand pension reform participants. In 2008, SEB Investicijų Valdymas preserved its leader position in Pillar III pension funds management in terms of assets under management, worth LTL 39 million, it market share being 67 per cent, also, it was number one in terms of its customer base (55 per cent market share).

A drop in one-off payments due to changes in financial markets preconditioned a plunge of the entire life insurance market: in 2008 the drop was 32 per cent, and that of SEB Gyvybės Draudimas dropped by 49 per cent, and at the close of the year the company's life insurance market share was 19.2 per cent. SEB Gyvybės Draudimas maintained its leader position in Lithuania in terms of unit-linked life insurance, its relevant market share being 28 per cent. In 2008, unit-linked life insurance premiums accounted for 98 per cent of the entire premiums of SEB Gyvybės Draudimas. At the end of 2008, the amount accumulated by SEB Gyvybės Draudimas' customers was LTL 251 million, and the total insurance coverage amount for all customers was nearly LTL 5 billion. SEB Gyvybės Draudimas was the market leader in the segment of additional voluntary health insurance – in terms of premiums paid in 2008 its market share was 45 per cent.

In 2008, an increase in the leasing portfolio of SEB Lizingas was 10.15 per cent, i. e. from LTL 3.94 billion up to LTL 4.34 billion. In terms of said indicator, the company had the largest market share, namely, 38.14 per cent. The company was also number one in the new cars and new heavy vehicles (heavy trucks and trailers) leasing market, its share of the leasing being, respectively, 40 per cent and 61 per cent.

SEB Bank offered its customers innovative modern banking services: ATMs that accept cash were introduced to the customers, also the Bank was the first in Lithuania to install a drive through ATM. The Bank was the first and so far the only in Lithuania to enable payments in one of the latest VISA association payment card V Pay, meant for payments within the European Union countries. With a view to increase security when paying by payment cards, a new procedure for the activation of newly issued cards was introduced. The SEB Bank Group started a public offering of units of two alternative funds: SEB Guarantee 80 EUR and SEB Asset Selection, also, in the current period of stock fluctuation, it offered a highly relevant possibility of investing into bonds linked to investment portfolios diversified among both among different asset classes and among global economy regions. The Bank also started assigning ratings on corporate bond issues, thus helping investors to be objective in assessing relevant investment risks.

SEB Bank was selected the country's most respected company in The Most Respected Company 2008 poll, first time arranged in Lithuania by independent experts. The performance of the SEB Bank and the significance of its activities for the country's economy in 2008 was once again assessed by international financial and banking publications: The Banker and Global Finance recognised SEB Bank to be the best bank in Lithuania, trade finance leader and in trade and a bank offering the best and the safest Internet banking services in Lithuania (Global Finance), the best debt and equity house in Lithuania (Euromoney), the most active year 2008 member of the Baltic stock exchanges (NASDAQ OMX Baltic stock exchanges in Vilnius, Tallinn and Riga). A survey performed in 2008 by Verslo Žinios, public opinion poll and market-research company TNS Gallup as well as career portal cv.lt showed that SEB Bank is one of the three most desirable employers in Lithuania.

In 2008, the SEB Bank Group resorted to new social initiatives and continued with its pro-active social activities, especially in the spheres of children education and upbringing and entrepreneurship encouragement. The Bank initiated new social entrepreneurship encouragement initiatives SEB Verslo Menas ('SEB Art of Business') aimed at increasing entrepreneurship skills, and in the selection of European national business awards its TV project Verta Milijono ('Worth a Million') was even recognised as one of the best business encouragement national initiatives in Lithuania. Together with partners SEB Bank initiated a long-term social programme Renkuosi Mokyti! ('I prefer to Teach!') aimed at attracting the best-achieving university graduates for a two-year period after graduation to work as teachers in schools at the same time developing their own leadership skills for their further career in education or any other area. It is the first and so far the only private business initiative aimed at enhancing changes in the educational system in Lithuania. For five years already the Bank participated in the Dreams Come True campaign offering support to kids from children homes, continued more than a decade-long cooperation with the Lithuanian Children Foundation, supported other educational projects, created conditions for its employees to devote some of their working hours for mentorship activities, allocated funds for various culture and sports events.

In 2009, our national economy will face a decline that is likely to persist until 2011. Short-term, such macroeconomic conditions will also impede banking activities. The SEB Bank Group's situation in Lithuania is good, its position is strong and it is prepared to assist its customers to survive the period of decline.

In 2009, the SEB Bank Group will have its key focus and will primarily allocate funds for risk management and a more conservative approach towards risk management, credit portfolio quality monitoring, cost cutting and operational efficiency improvement. Also, the implementation of the programme for the change of the Bank's main IT system will be continued as well as the processes aimed at improving the organisational structure of the customer service subdivisions undertaken with the aim to increase operational efficiency and customer satisfaction. Customer relationship and attention to customers will be the key task for the SEB Bank Group in future: in order to be the best in terms of customer satisfaction and meeting the customer expectations, the SEB Bank Group will offer modern services via convenient channels and ways as well as resorting to professional and competent support of its specialists.

The long-term vision of the SEB Bank Group in Lithuania to be the leading financial services group in Lithuania remains unchanged. By implementing this vision, the Bank aims to be the best customer service company in the country; to be the most desirable employer; to be the most efficient bank in Lithuania and meet the shareholders' expectations; to deserve respect in society.

The SEB Bank Group manages its risks in a centralised way. The main types of risks managed by the Bank are credit, liquidity, market risk, which includes currency rate fluctuations, interest rate risk and share price risk, as well as operational risk. Risk is managed adhering to the internal and the prudential requirements of the Bank of Lithuania.

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

Credit risk. The Group assumes credit risk, i.e., the risk of another counterparty being unable to duly meet its obligations against the Bank. The 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 loan analysis. Taking into consideration the complexity of the deal and customer's creditworthiness, various credit risk management measures are applied.

The Group loans are assessed individually as well as its total portfolio. Assessment of the portfolio of homogeneous loan groups with similar risk characteristics (mortgage loans, consumer loans, payment card account overdraft limits, loans to small enterprises) is performed. Special provisions for homogenous loans are formed by applying 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 into 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's credit risk, taking into consideration the risk class assigned to the borrower, is revised on a regular basis, at least once a year. Analysis of the borrower, borrower group and industry sector risks is performed on a regular basis.

Applied loan portfolio 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 its parent company, 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 20 per cent of the Bank's equity.

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

	2006 12 31*	2007 12 31*	2008 12 31**
Individually assessed credit losses, in total	124,602	127,916	634,915
Loan portfolio (without special provisions), LTL 000's	13,431,699	17,912,063	20,599,799
Ratio, in per cent	0.93%	0.71%	3.08%

* According to the Report on Changes in Loan Portfolio Value, approved by Resolution of the Bank of Lithuania No. 114, dated 28 July 2005.

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

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

	2006 12 31	2007 12 31	2008 12 31
Impairment losses on loans to customers (special provisions)	130,522	161,818	311,830
Impairment losses on loans to credit and financial institutions as of year end (special provisions)	-	-	-
Balance of impairment losses on loans to credit and financial institutions as of year end (special provisions)	130,522	161,818	311,830
Special provisions to loan portfolio ratio	**0.91%**	**0.85%**	**1.45%**

Market risk. It is the risk 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.

SEB Bank adheres to all interest rate indicators.

Foreign exchange risk exposure is defined by two measures: single open currency position against the Litas and aggregate open currency position - the larger one of 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 observes 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.

The Group's s maximum open position during the recent years is shown in the table below.

Group	2008 12 31	2007 12 31	2006 12 31
Maximum open single currency position	12.97%	-2.1 %	-3.1%
Maximum aggregate open currency position	13.22%	2.2 %	3.2%

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 Group may be unable to timely meet its financial liabilities obligations and/or, aiming to meeting them, it may have to sell its financial assets and/or close positions and will sustain losses dues 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 liquidity ratio over recent years are shown in the table below.

Group	Ratio	Bank		
2006 12 31		2006 12 31	2007 12 31	2008 12 31
38,06%*	Liquidity ratio (at least 30%)	37.73%	42.78%	38.99%

* In 2007, the Bank of Lithuania cancelled the Group's liquidity report.

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

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, pressure on prices 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 reaction to any political changes or changes in the regulatory acts or the banking sector.

Capital adequacy. Lithuanian banks are required to maintain capital adequacy ratio of at least 8 per cent of risk-weighted assets to capital base. According to the Group's Capital Policy, its capital adequacy ratio must within the range of 8.5 - 9.0 per cent, i.e. somewhat higher than the required lowest indicator, which helps to be efficient in achieving the business goals set. ROE must be measured against the capital adequacy requirements of regulatory authorities and rating agencies.

On 12 January 2006, the Bank of Lithuania approved the Bank's additional subordinated debt of EUR 25 million, thus increasing the Bank's and the Bank Group's capital adequacy ratios by 0.8 percentage points. On 11 May 2006, the Bank of Lithuania approved the Bank's subordinated loan of EUR 40 million obtained from Skandinaviska Enskilda Banken AB, therefore, the Bank's capital adequacy ratios increased by 1.04 percentage points. On 29 June 2006, the Bank of Lithuania approved the Bank's subordinated loan of EUR 20 million obtained from Skandinaviska Enskilda Banken AB. Thus, the Bank's capital adequacy ratios increased by 0.50 percentage points and those of the Group – by 0.44 percentage points. On 12 October 2006, the Bank of Lithuania approved a subordinated loan of EUR 42 million obtained from Skandinaviska Enskilda Banken AB.

On 26 July 2007, the Board of the Bank of Lithuania allowed SEB Bank to include into its Tier 2 capital a subordinated loan of EUR 45,000,000 (which is equal to LTL 155,376,000) obtained after Swedish bank Skandinaviska Enskilda Banken AB paid up SEB Bank's issued subordinated debt bonds. After the subordinated loan was included in the Bank's eligible capital, there was a 0.75 percentage point improvement in the Bank's capital adequacy ratio – it was 9.45 per cent, and the Group's capital adequacy ratio improved by 0.87 percentage points and was 10.41 per cent.

On 15 May 2008, the Board of the Bank of Lithuania allowed SEB Bank to prepay, that is to repay before maturity fixed under subordinated loan agreement dated 30 June 2000, namely, on 30 June 2008, a subordinated loan of EUR 15,000,000 (which is equal to LTL 51,792,000) obtained from Skandinaviska Enskilda Banken AB. SEB Bank availed of the possibility to terminate the agreement aiming at cutting the Bank's borrowing costs and maintaining the Bank's capital adequacy level. After the repayment of the loan, the Bank's capital adequacy ratio was 11.98 per cent and that of the Group was 10.48 per cent.

Changes in the Bank and Group capital adequacy ratios are presented in the table below.

The Group			Ratio	Bank		
2006	2007	2008		2006	2007	2008
9.36%	8.83%	10.55%	Capital adequacy ratio (minimum requirement being 8%)	10.16%	9.85%	12.09%

Securities. As of 31 December 2008, the number of effective issues of securities of SEB Bank was 169, their total nominal value being LTL 1.79 billion.

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

Volume and dynamics of the Bank Group activity is partially reflected by the below data of balance sheet and profit (loss) statements prepared in accordance with the International Financial Reporting Standards (IFRS):

LTL mio	As of 31 December 2006	As of 31 December 2007	As of 31 December 2008
Loans	13,244	17,784	20,320
Investment	2,335	2,711	2,245
Lease receivables	2,707	3,928	4,224
Deposits	9,638	10,808	10,203
Amounts owed to credit and financial institutions	7,948	12,546	15,157
Equity	1,508	2,011	2,244
Assets	21,160	27,989	29,525

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

LTL mio	As of 31 December 2006	As of 31 December 2007	As of 31 December 2008
Net interest income after impairment losses	372.8	533.2	395.5
Other income before operating expenses, net	256.2	391.9	163.9
Net income	629	925.1	559.4
Operating expenses	(285.4)	(329.7)	(369.8)
Net life insurance tax	2.5	5.4	108.7
Profit before income tax	346.1	600.8	298.3
Net income	288.2	509.7	257.8

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

The Group			Ratio	The Bank		
2006	2007	2008		2006	2007	2008
9.36%	8.83%	10.55%	Capital adequacy ratio (at least 8%)	10.16%	9.85%	12.09%
1.59%	2.11%	0.89%	Return on average assets	1.78%	2.30%	1.38%
21.05%	29.53%	11.82%	Return on average equity	22.90%	29.64%	16.23%
38.12%	n. d. *	n. d.*	Bank liquidity ratio (at least 30%)	37.73%	42.78%	38.99%
18.66	33.01	16.69	Earnings per share, LTL	18.49	32.13	22.52
97.68	130.23	145.30	Book value per share, LTL	93.76	125.37	146.26

*The Bank of Lithuania cancelled the liquidity report of the Group in 2007.

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

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

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

Please refer to the note no. 50 of the financial statements of the Bank.

9. *The Issuer activity plans and forecasts*

Attention to clients will remain the main goal of SEB bank Group. By delivering modern services in a convenient and professional manner as well as appreciating every client's demand and expectations, the Group will seek to remain the leading group of financial services in Lithuania.

Considering the Group's vision, plans are set to implement the following main tasks:

• Operating efficiency improvement. Considering the fast worsening country's economic situation, special attention must be paid to operating efficiency improvement.

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

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

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

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

Sales culture improvement will cover such aspects as:

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

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

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

The Bank plans to focus on the following areas:

- evaluating the credit risk of the existing and potential clients. The Bank will also seek to help the customers that face financial difficulties.
- dropping margins require the Bank to pay greater attention to products and services generating other income than interest income (money transfers, payment cards, life insurance and investment management services),
- the Bank plans to pay greater attention to solutions related to services offered to small and medium enterprises.

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

10. *Financial risk management goals*

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

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

During the year 2008, SEB Bank did not acquire or redeem its own shares. The Bank and its subsidiary companies did not redeem or sell their own shares during the reporting period.

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

As of 31 December 2008, the Bank had 77 customer service outlets (17 branches and 60 sub-branches) in Lithuania.

13. *The Issuer's authorised capital*

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

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

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

14. *Shareholders*

As of 31 December 2008, the total number of shareholders of SEB Bank was 195. Shareholders holding or controlling more than 5 per cent of the Bank's authorised capital as of 31 December 2008:

Shareholder	Number of shares and votes	Share of authorized capital and votes (in per cent)
Skandinaviska Enskilda Banken AB (Kungstradgardsgatan 8, Stokholmas, Sweden; code 502032-9081)	15,396,270	99.71

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

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

15. *Employees*

As of 31 December 2008 the Group had 2,379 employees, i.e. 9.6 percent more comparing to the last year (2,171 employees).

During the reported period the number of the Bank's employees increased by 12.29 per cent, growing from 1,912 to 2,147 (only the permanent employees having open-ended work contracts are counted). The increase was caused by the development of the Bank branch network as 5 new branches (three in Vilnius, one in Prienai and Jurbarkas) were opened in 2008.

In the end of the reported period the average number of the Bank's employees was 2,047.5 (1,799 in the end of 2007).

Tables below specify the information about the Bank's employees' educational background and average monthly wage (before tax).

	Number of employees			Average monthly wage (in LTL)		
	2006 12 31	2007 12 31	2008 12 31	2006	2007	2008
Senior management	236	272	301	10,640	10,693	9,619
Specialists	1,431	1,628	1,836	3,732	3,462	4,357
Service staff	18	12	10	3,003	2,118	1,920
Total	**1,685**	**1,912**	**2,147**	**-**	**-**	**-**

	Number of employees	University education		College education		Secondary education	
		number	per cent	number	per cent	number	per cent
Senior management	301	277	92	13	4.3	11	3.7
Specialists	1,836	1,244	67.8	159	8.7	433	23.5
Service staff	10	7	70	1	10	2	20
Total	**2,147**	**1,528**	**73.1**	**173**	**8.0**	**446**	**20.7**

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

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

The Bank Law of the Republic of Lithuania establishes that the amendment of a bank's articles of association regarding i) the Bank's name or registered address, ii) the size of the authorised (share) capital, iii) the number of shares, the number of shares by their class, nominal value as well as the rights granted, iv) the competence of the Bank's management bodies as well as the method of electing and revoking the management bodies, can be registered with the Enterprise Register exclusively after the permission of a supervisory authority, i.e. the Bank of Lithuania, has been issued.

17. *Management bodies of the Issuer*

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

The Board and the President are the Bank's management bodies.

The Council is a collegiate supervisory body carrying out the function of supervision over the Bank's activities. The Council consisting of 5 members is elected by the Meeting. The Council elects the Board members and revokes them from their positions, supervises over the activities of the Board and the President and has other rights and duties attributed to its competence by acts of law of the Republic of Lithuania and Articles of Association of the Bank.

The Board is a collegiate management body of the Bank consisting of 5 members and is elected by the Council. The Board manages the Bank, handles daily matters, represents the Bank's interests and is responsible for the financial services according to the procedure established by law. The Board elects (appoints) and revokes the President and deputies and has other rights and duties attributed to its competence by acts of law of the Republic of Lithuania and Articles of Association of the Bank.

The President acts in the name of the Bank, organizes the Bank's day-to-day activities and has other rights and duties attributed to its competence by acts of law of the Republic of Lithuania and Articles of Association of the Bank.

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

THE BANK SUPERVISORY COUNCIL (as of 31 December 2008)

BO MAGNUSSON – Chairman of the Council since 13 March 2007, Head of SEB Retail Banking. He has got further education, specialization – economics. He does not hold any shares of the Bank.
On 9 March 2007 he was elected at the annual general meeting of shareholders of SEB Bank (at the time – SEB Vilniaus bankas).

ANDERS AROZIN – Head of SEB Baltic Development and Integration. He has got higher education, specialisation – economics. He does not hold any shares of the Bank.
On 10 March 2006 he was elected at the annual general meeting of shareholders of SEB Bank (at the time – SEB Vilniaus bankas).

AINARS OZOLS – Chairman of the Board and President of SEB Banka, Chairman of the Board of SEB atvērtais pensiju fonds. He has got higher education, specialization – engineering-economics. He does not hold any shares of the Bank.
On 15 November 2007 he was elected at the extraordinary general meeting of shareholders of SEB Bank (at the time – SEB Vilniaus bankas).

ULF PETERSON – Head of Personnel of SEB Retail Banking. He has got higher education, specialization – Law. He does not hold any shares of the Bank.
On 15 November 2007 he was elected at the extraordinary general meeting of shareholders of SEB Bank (at the time – SEB Vilniaus bankas).

AHTI ASMANN – Chairman of the Board of SEB Pank, Member of the Board of Eesti Pangaliit. He has got further education, specialisation – economics. He does not hold any shares of the Bank.
On 28 March 2008 he was elected at the annual general meeting of shareholders of SEB Bank.

The term office of all Supervisory Council Members is until 2010.

THE BANK BOARD (as of 31 December 2008)

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

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

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

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

AUŠRA MATUSEVIČIENĖ – Vice President and Head of Finance Division (Business Support Division as of 21 July 2008) since 1 February 2006. She has got higher education, specialisation – finance. She does not hold any shares of the Bank.

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

THE BANK'S CHIEF EXECUTIVE OFFICER

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

THE BANK'S CHIEF FINANCIAL OFFICER

AUŠRA MATUSEVIČIENĖ – Vice President and Head of Finance Division (Business Support Division as of 21 July 2008). She does not hold any shares of the Bank. She has got higher education, specialisation – finance.

Information on disbursements to members of the Board during the reported period.

in LTL'000	**Amounts calculated over a year in connection with employment relations**	**Property and gifts provided gratis**	**Different guarantees issued in the name of the company**
Amounts calculated for all members of the Board, in total:	6,255	-	-
Amounts in connection with employment relations	3,195		
Annual bonus for the year 2007	1,576	-	-
Employer's national insurance contributions	1,484	-	-
Average amount per member of the Board*:	1,251	-	-
Amounts in connection with employment relations	639		
Annual bonus for the year 2007	315	-	-
Employer's national insurance contributions	297	-	-

* The Bank's Board has 5 members.

Over the year 2008, no disbursements were made or loans issued to the members of the Bank's Supervisory Council.

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

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

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

None.

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

See Annex 1: Disclosure Form concerning the compliance with the Governance Code for the companies listed on the regulated market.

22. *Data placed in the pubic domain*

The Issuer, whose securities are allowed to be traded in 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 about every material event in accordance with the procedure established by the Lithuanian Securities Commission. The information about every material event has to be published in the central base of regulated information, too. In accordance with the Bank's articles of association the information about every material event is also published in the daily Verslo žinios as well as distributed through the news agencies BNS and ELTA.

Over the year 2008, the Bank announced about the following material events:

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

On 23 January 2008, the Bank announced about the change of its name - on 21 January, the Enterprise Register 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 a new Registration Certificate.

On 26 February 2008, the Bank announced about the Annual General Meeting of Shareholders initiated and to be convened by the Board of SEB Bank on 28 March 2008.

On 28 March 2008, the Bank announced that the Annual General Meeting of Shareholders adopted all the decisions provided on the agenda: a) the Year 2007 Annual Report of SEB Bank has been familiarized with; b) the Report of the auditor of SEB Bank has been heard; c) the Comments and Proposals of the Supervisory Council of SEB Bank have been heard; d) the Year 2007 Financial Reporting of SEB Bank was approved; e) the Distribution of the Year 2007 profit of SEB Bank was approved; f) Ahti Assman was elected as the new member of the Supervisory Council of SEB Bank.

On 8 April 2008, the Bank announced that, according to preliminary data, unaudited net profit earned over the first quarter of 2008 by SEB Bank is LTL 133.7 million and by SEB Bank Group – LTL 93.9 million. The profit has been calculated in accordance with requirements of legal acts of the Bank of Lithuania and other legal acts of the Republic of Lithuania. The unaudited net profit over the first quarter of 2007 earned by the Bank was LTL 116.1 million and by the group - LTL 89.9 million.

On 9 July 2008, the Bank announced that, according to preliminary data, unaudited net profit earned over the first half-year of 2008 by SEB Bank is LTL 255.5 million and by SEB Bank Group is LTL 225.6 million. The profit has been calculated in accordance with requirements of legal acts of the Bank of Lithuania and other legal acts of the Republic of Lithuania. Audited net profit over the first half-year of 2007 earned by the bank was LTL 220.4 million and by the group - LTL 199.1 million.

On 9 October 2008, the Bank announced that, according to preliminary data, unaudited net profit earned over the three quarters of 2008 by SEB Bank is LTL 342.0 million and by SEB Bank Group is LTL 320.9 million. The profit has been calculated in accordance with requirements of legal acts of the Bank of Lithuania and other legal acts of the Republic of Lithuania. Unaudited net profit over the three quarters of 2007 earned by the bank was LTL 323.1 million and by the group - LTL 313.4 million.

On 9 December 2008, the Bank announced that On 8 of December 2008, the Board of SEB Bank has decided to establish a subsidiary of SEB Bank with a legal form of a private limited liability company, name of the company - Litectus UAB, legal address - Jogailos g. 9/ A. Smetonos g. 1, Vilnius, Republic of Lithuania. Term of the subsidiary activity shall be of unlimited duration, its goal - to gain profit from sale-purchase and development of real estate, as also from other activities not prohibited by legal acts of the Republic of Lithuania, subject of the company activity - sale-purchase of real estate; rent of real estate; development, administration and management of real estate.

Over the year 2008, the Bank has also made 21 announcements of additional (in accordance with requirements of Part 5, Article 25 of The Securities Law of the Republic of Lithuania) and periodic (in accordance with requirements of Article 20 of The Securities Law of the Republic of Lithuania) information.

....
Audrius Žiugžda
President of SEB Bank

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Aušra Matusevičienė
Head of Business Support Division and CFO of SEB Bank

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

March 2009,
Vilnius

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[7] See Footnote 3.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Statement
for the year ended 31 December 2008
(LTL 000s)

The Group 2008	The Group 2007		Note	The Bank 2008	The Bank 2007
1,639,325	1,229,238	Interest income		1,414,468	1,086,438
(987,173)	(655,448)	Interest expenses		(833,230)	(567,887)
652,152	573,790	**Net interest income**	6	581,238	518,551
(151,185)	(31,654)	Impairment losses on loans	7	(151,185)	(31,654)
(104,094)	(6,811)	Impairment losses on lease portfolio	7	-	-
(1,378)	(1,084)	Provisions for guarantees		(1,378)	(1,084)
7	(1,065)	Other impairment losses		7	(1,064)
(256,650)	(40,614)	**Total impairment losses**		(152,556)	(33,802)
395,502	533,176	**Net interest income after impairment losses**		428,682	484,749
257,093	254,934	Income on services and commissions	8	227,155	231,383
(69,348)	(64,114)	Expenses on services and commissions	8	(67,421)	(61,687)
10,671	16,966	Other income, net		6,995	8,431
-	47,153	Net gain on disposal of subsidiaries	28	-	55,521
(89,611)	26,236	Net gain (loss) on investment securities	5	2,837	1,608
-	-	Dividend income from subsidiaries	9	58,591	45,772
(35,836)	(19,576)	Net loss on operations with debt securities and derivative financial instruments	10	(34,063)	(22,434)
-	39,430	Net gain on sale of non - current assets held for disposal	32	-	24,378
90,928	90,836	Total net foreign exchange gain	11	89,144	98,000
144,311	93,562	Net insurance premium revenue	12	-	-
(35,649)	(88,090)	Gross insurance expenses	13	-	-
108,662	5,472	**Net life insurance income**		-	-
(176,024)	(170,924)	Staff costs	14	(147,890)	(144,542)
(193,736)	(158,799)	Other administrative expenses	15	(170,669)	(148,933)
(369,760)	(329,723)	**Total staff costs and other administrative expenses**		(318,559)	(293,475)
298,301	600,790	**Profit before income tax**		393,361	572,246
(40,521)	(91,089)	Income tax	16	(45,633)	(76,152)
257,780	509,701	**Net income**		347,728	496,094
		Attributable to:			
257,780	509,701	Equity holders of the parent		347,728	496,094
-	-	Minority interest		-	-
257,780	509,701			347,728	496,094
		Earnings per share, attributable to equity holders of the parent (LTL):			
16.69	33.01	Basic	17	22.52	32.13
16.69	33.01	Diluted	17	22.52	32.13

The accompanying notes on pages 52 to 115 are an integral part of these financial statements.

A. Žiugžda
President

A. Matusevičienė
Head of Support Division, CFO

Balance Sheet as of 31 December 2008
(LTL 000s)

The Group 2008	The Group 2007		Note	The Bank 2008	The Bank 2007
		Assets			
497,629	460,494	Cash in hand		497,629	460,494
729,273	1,261,469	Balances with the Central Banks	18	729,273	1,261,469
830,593	978,270	Due from banks, net	19	830,186	977,976
63,612	2,060,853	Government securities – available for sale	20	62,987	2,060,257
399,232	609,560	Financial assets at fair value through profit or loss	21	95,124	192,653
114,792	340,182	Derivative financial instruments	22	114,792	340,182
39,651	30,254	Loans to credit and financial institutions, net of impairment allowances	23	937,335	1,155,117
20,280,295	17,753,288	Loans to customers, net of impairment allowances	7,24	20,287,969	17,750,245
1,750,534	-	Government securities – loans and receivables	25	1,750,534	-
4,223,542	3,928,138	Finance lease receivable, net of impairment allowances	26	-	-
18,468	27,706	Investment securities – available for sale	27	18,467	27,401
12,989	12,493	Investment securities – held to maturity	27	12,989	12,493
-	-	Investments in subsidiaries	28	62,441	58,941
240,238	184,947	Intangible fixed assets	29	239,578	184,396
65,001	76,343	Tangible fixed assets	30	63,232	58,136
7,547	12,149	Assets under operating lease	31	-	-
25,411	-	Non-current assets held for disposal	32	1,524	-
9,287	-	Income tax receivables		8,955	-
15,682	835	Deferred tax asset	16	-	-
201,259	251,762	Other assets, net of impairment allowances	33	117,482	155,085
29,525,035	27,988,743	**Total assets**		25,830,497	24,694,845
		Liabilities			
24	25	Amounts owed to the Central Banks		24	25
15,156,610	12,545,769	Amounts owed to credit and financial institutions	34	11,764,275	9,822,423
293,293	393,431	Derivative financial instruments	22	293,293	393,431
10,203,009	10,808,095	Deposits from the public	35	10,208,909	10,822,658
219,919	258,367	Liabilities in life insurance operations	36	-	-
45,296	136,052	Liabilities to investment contract holders		-	-
51,309	69,721	Accrued expenses and deferred income		43,522	58,633
3,203	58,425	Income tax payable		-	51,009
603,187	654,008	Subordinated loans	37	603,187	654,008
607,793	873,247	Debt securities in issue	38	608,576	875,442
403	1,045	Deferred tax liabilities	16	403	1,045
97,417	179,649	Other liabilities and provisions	39	49,871	80,345
27,281,463	25,977,834	Total liabilities		23,572,060	22,759,019
		Equity			
		Equity attributable to equity holder of the parent	40		
1,034,575	1,034,575	Paid in capital		1,034,575	1,034,575
1,034	1,034	Reserve capital		2,200	2,200
(32,559)	(7,442)	Financial assets revaluation reserve		(32,559)	(7,442)
77,394	35,215	Legal reserve		74,639	31,348
9,338	9,338	General and other reserves		9,338	9,338
1,153,790	938,189	Net income for the period and retained earnings		1,170,244	865,807
2,243,572	2,010,909			2,258,437	1,935,826
-	-	**Minority interest**		-	-
2,243,572	2,010,909	Total equity		2,258,437	1,935,826
29,525,035	27,988,743	**Total liabilities and equity**		25,830,497	24,694,845

Vilnius, 9 March 2009

The accompanying notes on pages 52 to 115 are an integral part of these financial statements.

A. Žiugžda
President

A. Matusevičienė
Head of Support Division, CFO

Statement of Changes in Equity of the Group
for the year ended 31 December 2008
(LTL 000s)

	Share capital	Reserve capital	Financial assets revaluation reserve	Legal reserve	General and other reserves	Retained earnings	Minority interest	Total
31 December 2006	1,034,575	104	591	15,270	9,338	448,433	-	1,508,311
Net change in available for sale investments, net of deferred tax	-	-	(8,033)	-	-	-	-	(8,033)
Net income for the period	-	-	-	-	-	509,701	-	509,701
Net income recognised directly in equity	-	-	*(8,033)*	-	-	*509,701*	-	*501,668*
Transfers to reserves	-	-	-	19,945	-	(19,945)	-	-
Disposal of UAB SEB VB Nekilnojamasis Turtas	-	930	-	-	-	-	-	930
31 December 2007	1,034,575	1,034	(7,442)	35,215	9,338	938,189	-	2,010,909
Net change in available for sale investments, net of deferred tax	-	-	(26,616)	-	-	-	-	(26,616)
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	1,499	-	-	-	-	1,499
Net income for the period	-	-	-	-	-	257,780	-	257,780
Net income recognised directly in equity	-	-	*(25,117)*	-	-	*257,780*	-	*232,663*
Transfers to reserves	-	-	-	42,179	-	(42,179)	-	-
31 December 2008	1,034,575	1,034	(32,559)	77,394	9,338	1,153,790	-	2,243,572

The accompanying notes on pages 52 to 115 are an integral part of these financial statements.

Statement of Changes in Equity of the Bank
for the year ended 31 December 2008
(LTL 000s)

	Share capital	Reserve capital	Financial assets revaluation reserve	Legal reserve	General and other reserves	Retained earnings	Total
31 December 2006	1,034,575	2,200	577	11,888	9,338	389,173	1,447,751
Net profit for the year	-	-	-	-	-	496,094	496,094
Net change in available for sale investments, net of deferred tax	-	-	(8,019)	-	-	-	(8,019)
Net income recognised directly in equity	-	-	*(8,019)*	-	-	*496,094*	*488,075*
Transfers to reserves	-	-	-	19,460	-	(19,460)	-
31 December 2007	1,034,575	2,200	(7,442)	31,348	9,338	865,807	1,935,826
Net income for the period	-	-	-	-	-	347,728	347,728
Net change in available for sale investments, net of deferred tax	-	-	(26,616)	-	-	-	(26,616)
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	1,499	-	-	-	1,499
Net income recognised directly in equity	-	-	*(25,117)*	-	-	*347,728*	*322,611*
Transfers to reserves	-	-	-	43,291	-	(43,291)	-
31 December 2008	1,034,575	2,200	(32,559)	74,639	9,338	1,170,244	2,258,437

Also see note 40.

The accompanying notes on pages 52 to 115 are an integral part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2008
(LTL 000s)

The Group 2008	The Group 2007		Note	The Bank 2008	The Bank 2007
		Cash from operating activities			
1,574,334	1,198,626	Interest income received		1,349,477	1,055,826
(938,990)	(487,626)	Interest expenses paid		(785,047)	(400,067)
67,377	59,945	Net foreign currency exchange gain		67,536	60,441
23,551	30,891	Unrealised translation gain		21,608	37,559
(35,836)	(19,576)	Net gain (loss) in securities trading and financial instruments		(34,063)	(22,434)
203,775	220,961	Net commission and service income		166,729	182,903
(20,542)	158,305	Life insurance operations		-	-
(176,024)	(170,924)	Staff costs		(147,890)	(144,542)
(256,354)	(260,088)	Other payments		(139,932)	(240,730)
441,291	730,514	**Net cash from operating activities before change in operating assets**		498,418	528,956
		Changes in operating assets			
216,994	39,448	Increase in compulsory balances with the Central Banks		216,994	39,448
659,551	(660,638)	Decrease (increase) in due from banks and loans to credit and financial institutions		886,730	(871,385)
(2,656,054)	(4,533,237)	Increase in loans to customers		(2,666,771)	(4,450,110)
(399,498)	(1,228,281)	Increase of finance lease receivable		-	-
34,139	121,244	(Increase) decrease in other current assets		36,086	(26,714)
(2,144,868)	(6,261,464)	**Net increase in operating assets**		(1,526,961)	(5,308,761)
		Changes in operating liabilities			
(605,086)	1,170,023	Increase (decrease) in deposits from the public		(613,749)	1,169,901
(145,406)	(99,235)	Increase (decrease) in accrued expenses, deferred income and other liabilities		(101,992)	(68,564)
(750,492)	1,070,788	**Net increase in operating liabilities**		(715,741)	1,101,337
(2,454,069)	(4,460,162)	**Net cash (to) from operating activities before income tax**		(1,744,284)	(3,678,468)
(110,471)	(58,011)	Income tax paid		(99,393)	(48,955)
(2,564,540)	(4,518,173)	**Net cash (to) from operating activities after income tax**		(1,843,677)	(3,727,423)

The accompanying notes on pages 52 to 115 are an integral part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2008 (continued)
(LTL 000s)

The Group 2008	The Group 2007		Note	The Bank 2008	The Bank 2007
		Cash flow from (to) investing activities			
(95,586)	(48,040)	Sale (purchase) of tangible and intangible fixed assets, net		(88,178)	(28,123)
372,088	(317,156)	Decrease (increase) in investment in Government securities – available for sale		372,117	(317,146)
-	80,755	Disposal (purchase) of subsidiaries, net of cash disposed	28	(3,500)	81,224
-	-	Dividends received from subsidiaries		58,591	45,771
236,677	(83,174)	Decrease (increase) of investment in other securities and derivatives		123,574	87,154
-	111,906	Sale of non-current assets held for disposal	32	-	71,291
513,179	(255,709)	**Cash used in investing activities**		462,604	(59,829)
		Cash flow from (to) financing activities			
(1)	(15)	Increase (decrease) in amounts owed to the Central Banks		(1)	(15)
2,610,841	4,597,951	Increase (decrease) in amounts owed to credit and financial institutions		1,941,852	3,617,731
(50,821)	160,346	Increase (decrease) in subordinated loans		(50,821)	160,346
(265,454)	(21,698)	Debt securities issued, net		(266,866)	(28,088)
2,294,565	4,736,584	**Cash received (used in) financing activities**		1,624,164	3,749,974
243,204	(37,298)	**Net increase in cash**		243,091	(37,278)
1,290,448	1,327,746	**Cash 1 January**		1,290,154	1,327,432
1,533,652	1,290,448	**Cash 31 December**		1,533,245	1,290,154
		Specified as follows:			
277,457	592,659	Balance available for withdrawal with the Central Banks	18	277,457	592,659
186,856	31,211	Overnight deposits		186,856	31,211
497,629	460,494	Cash on hand		497,629	460,494
571,710	206,084	Current accounts with other banks		571,303	205,790
1,533,652	1,290,448			1,533,245	1,290,154

The accompanying notes on pages 52 to 115 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 1 BACKGROUND INFORMATION

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

The Head Office of the Bank is located at Gedimino pr. 12, Vilnius. At the end of the reporting period the Bank had 77 customer service units.

At the end of the reporting period AB SEB Bank had 5 subsidiaries, and the paid in share capital in the subsidiary that was registered on the 23th January 2009. The Bank and its subsidiaries thereafter are referred as the Group.

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities as well as performs other activities set in the Law on Banks (except for operations with precious metals). Activities of subsidiaries are explained in note 28.

The Bank's shares are included in the non-listed list of shares of the NASDAQ OMX Vilnius. As it is further disclosed in Note 40, the largest shareholder is Skandinaviska Enskilda Banken, owning 99.71 percent of the Bank's shares.

These consolidated financial statements have been approved by the Board.

NOTE 2 BASIS OF PRESENTATION

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

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

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Adoption of new and amended international financial reporting standards

Standards, amendment and interpretations effective in 2008. IAS 39 and IFRS 7, approved by the International Accounting Standards Board and adopted in EU in October this year. Its effect explained in note 25.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
- IFRIC 12, 'Service concession arrangements'.
- IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standards early adopted by the Group. IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment is relevant to the Group because all investments in associates represent holdings by venture capital segment and therefore are accounted for in accordance with IAS 39.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009.
- IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009.
- IFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009.
- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009.
- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009.
- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008.
- IFRIC 15, 'Agreements for the Construction of Real Estate', effective for annual periods beginning on or after 1 January 2009.
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation', effective for annual periods beginning on or after 1 October 2008.
- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009.
- IFRIC 18, 'Transfer of assets from customers', effective from 1 July 2009.

The International Accounting Standards Board in May 2008 approved a number of amendments to IFRS that consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to joint ventures under IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

IFRIC 12, 15, 16, 17, 18 and amended IAS 23, IAS 39 as well as revised IFRS 1 and IFRS 3 have not been yet endorsed by the EU.

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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 by the cost method of accounting 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 minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

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

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

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

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

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

e) Income Recognition

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Income Recognition (continued)

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

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

f) Taxation

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

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

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

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

g) Dividend income

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

h) Cash and cash equivalents

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

i) Financial assets

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

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

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

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

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

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

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

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

j) Recognition of deferred day one profit and loss

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

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

k) Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, currency swaps and other derivative financial instruments are initially recognised in the balance sheet at fair value net of transaction costs and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate (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 (loss) on operations with debt securities and financial instruments.

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Derivative financial instruments (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. Effective changes in fair value of interest rate swaps and related hedged items are reflected in 'interest income', 'net gains (loss) on operations with debt securities, derivatives, financial instruments'. Any ineffectiveness is recorded in 'Net gains (loss) on operations with debt securities and financial instruments'.

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

l) Impairment of financial assets

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

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

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

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

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

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

When a loan is 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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Impairment of financial assets (continued)

Provision rates for homogeneous credit groups are settled not only by applying statistical methods based on historical data, but also using expert judgments, that evaluate particularities of credit portfolio, that are not assessed by historical data. Commonly provision rates for homogeneous groups are settled twice a year. At the end of 2008 provision rates were reviewed using middle year PD (*probability of default*). Also several negative trends were assessed:

- increased volumes of credits, that are past due 30 or 60 days and are likely to become past due more that 90 days;
- increased interest rates for the credits;
- increase in heating prices, loss of jobs and etc.

All these factors were estimated as to produce difficulties to fulfil financial obligations and create assumptions to raise PD. However, they have not affected current PD rates as it is difficult to identify the particular customer, who has experienced difficulties mentioned above. Therefore provision rates for homogeneous groups were increased using expert judgements.

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

m) Finance lease receivable

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

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

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

n) Operating lease – the Group as a lessor

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

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

o) Operating lease – the Group as a lessee

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

p) Fixed Assets

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Fixed Assets (continued)

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

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

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

q) Goodwill

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

r) Non-Current Assets Held for Sale

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

s) Impairment of non-financial assets

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

t) Borrowings

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Provisions

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

v) Issued debt securities

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

w) Employee benefits

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

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

x) Fair values

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

	2008		**2007**	
	Book value	**Fair value**	**Book value**	**Fair value**
Balances with central bank	729,273	729,207	1,261,469	1,246,565
Due from banks, net	830,593	829,554	978,270	970,316
Loans to credit and financial institutions, net of impairment allowances	39,651	39,670	30,254	26,292
Loans to customers, net of impairment allowance				
Public sector	786,130	785,083	337,616	339,654
Corporate	11,287,819	11,243,232	10,666,464	10,730,860
Private individuals	8,206,346	8,388,913	6,749,208	6,789,955
Governmetn securities - loans and receivables	1,750,534	1,542,547	-	-
Finance lease receivable, net of impairment allowance	4,223,542	4,283,435	3,928,138	3,964,986
Investment securities – held to maturity	12,989	11,178	12,493	9,510
Total financial assets valued at amortised cost	27,866,877	27,852,819	23,963,912	24,078,138
Amounts owed to the Central Bank	24	24	25	25
Amounts owed to credit and financial institutions	15,156,610	15,076,382	12,545,769	12,091,505
Current and demand deposits	5,107,439	5,107,439	6,980,941	6,980,941
Term deposits from the public	5,095,570	5,195,024	3,827,154	3,930,289
Subordinated loans	603,187	594,216	654,008	624,388
Debt securities in issue	607,793	587,027	873,247	833,697
Total financial liabilities valued at amortised cost	26,570,623	26,560,112	24,881,144	24,460,845

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Fair values (continued)

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

	2008		2007	
	Book value	**Fair value**	**Book value**	**Fair value**
Balances with central bank	729,273	729,207	1,261,469	1,251,209
Due from banks, net	830,186	829,147	977,976	970,022
Loans to credit and financial institutions, net of impairment allowances	937,335	943,298	1,155,117	1,145,723
Loans to customers, net of impairment allowance				
Public sector	786,130	785,083	337,616	339,713
Corporate	11,295,493	11,251,259	10,663,421	10,729,650
Private individuals	8,206,346	8,388,913	6,749,208	6,791,126
Governmetn securities - loans and receivables	1,750,534	1,542,547	-	-
Investment securities – held to maturity	12,989	11,178	12,493	9,510
Total financial assets valued at amortised cost	24,548,286	24,480,632	21,157,300	21,236,953
Amounts owed to the Central Bank	24	24	25	25
Amounts owed to credit and financial institutions	11,764,275	11,679,948	9,822,423	9,848,332
Current and demand deposits	5,113,339	5,113,339	6,995,504	6,995,504
Term deposits from the public	5,095,570	5,195,024	3,827,154	3,930,289
Subordinated loans	603,187	594,216	654,008	624,430
Debt securities in issue	608,576	587,715	875,442	835,850
Total financial liabilities valued at amortised cost	23,184,971	23,170,266	22,174,556	22,234,430

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

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

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

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

Deposits from the public. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an 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 a current yield curve appropriate for the remaining term to maturity.

y) Fiduciary activities

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

z) Insurance activities

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

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

Premiums written and outward reinsurance premiums

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

Claims paid and claims handling costs

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

Acquisition costs

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

Technical insurance reserves

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

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

The *life insurance reserve* is the total value of the Group's net liabilities related to the life insurance contracts. Mortality coefficients, used for the insurance portfolio of UAB SEB Gyvybės Draudimas, are presented in the mortality table of Lithuania (according to the Lithuanian statistical data for 1989 and 1990). Maximum technical interest rate established by Insurance Supervisory Commission or guarantee rate of interest (which is lower) is used for reserve.

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

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

z) Insurance activities (continued)

Technical provisions of insurance portfolio may be splitted in two groups:

- Traditional insurance portfolio – the growth rate of this portfolio is guaranteed by UAB SEB Gyvybės Draudimas (rules: 01, 02, 04, 05, 06, 09, 14, 07, 08, 15; size of technical provision at the end of the year – LTL 24.51 million);
- Unit-linked insurance portfolio – profit or loss from the underlying asset depends to insurer (rules: 03, 11, 12; size of technical provision at the end of the year – LTL 195.41 million).

Fluctuation of unit–linked insurance portfolio does not have any impact on company profit/loss.

Company calculates traditional insurance provisions using the maximum technical interest rate established by Insurance Supervisory Commission or guaranteed interest rate (which is lower). Decrease of maximum technical interest rate in 0.6% call requirement of additional asset to cover technical provisions increase in 8%. For the customers of traditional insurance, loss on investment may be covered in case when an insurance undertaking has gain/return on mortality or costs.

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

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

Insurance risk arises due to variance of assumptions used in calculation of insurance premiums in terms of probability of occurrence and timing of insured events, and expected amounts of claims paid with actual situation.

Mortality, morbidity and disability risks arise due to the fact that assumptions used in calculation of insurance premiums in terms of future mortality, morbidity or disability are too optimistic and future insurance premiums become insufficient to cover future claims of death, critical disease, permanent disablement or disability.

In addition to possible criteria definition risk, there are other factors that may cause increase in mortality and morbidity– epidemic (e.g. AIDS) or changes in overall lifestyle (e.g. changes in nutrition, smoking or movement habits), which might result in a higher number or earlier instances of death and diseases.

Since the Company has been engaged in its activities for a relatively short period of time and does not have reliable statistical data on mortality and morbidity, the criteria definition risk is managed through use of mortality tables of Lithuanian residents in assessment of death premium prices, and use of morbidity tables prepared by reinsurers with significant experience in analogous activities in assessment of critical disease or permanent disablement risks. Reinsurers approved disability tables prepared by UAB SEB gyvybės draudimas. Since reinsurers assume a part of these risks, they are concerned about assessing sufficient premium prices. Concentrate risk in portfolio is not reinsured, it cover just 2% of risk portfolio.

In addition, to manage mortality, morbidity and disability risk the Company uses medical examination practice before signing an insurance policy. Such practice is to ensure that premium payable by a policyholder corresponds to health condition of the insured.

When statistical data certifying some changes in mortality, morbidity or disability level are available, an insurance undertaking is able to mitigate mortality or morbidity risk in accordance with the procedure defined in the rules by changing the price of premiums for future and current customers.

For the customers of traditional insurance, loss on mortality may be covered on distribution of profit to policyholders, provided that an insurance undertaking has gain/return on investment or costs.

The impact of risk is reduced in non-life portfolio; there are only short term (one year) contracts. Under the necessary it is possible to change tariffs every year.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Financial guarantees contracts

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

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

Any increase in the liability relating to guarantees is taken to the income statement under 'provisions for guarantees'.

bb) Return on average shareholders' equity and assets

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

cc) Comparative information

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

dd) Segment reporting

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

ee) Financial risk management policy

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

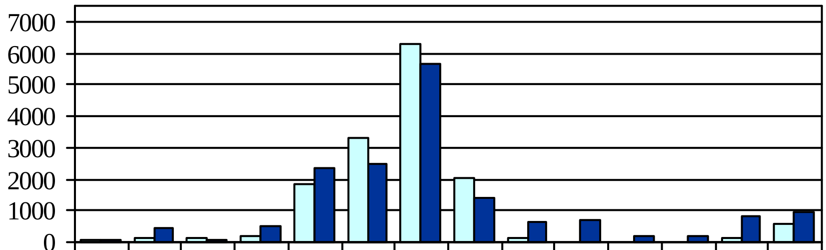
<u>*Credit risk*</u>. The Group takes on exposure to credit risk which is the risk that a counterpart will be unable to pay amounts in full when due. The credit exposure is measured in credit equivalents calculated taking into account the type of financial transaction.

The Group's credit policy is based on the principal that any lending transaction must be based on credit analysis. Various credit security instruments are applied depending on the complexity of a transaction and trustworthiness of a customer.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

The Group's credit risk exposures are assessed on an individual and portfolio basis. The portfolio based assessment is applied to the following homogeneous credit groups having the similar risk characteristics: mortgage loans, consumer loans, credit cards, small corporate loans. The specific provisions for the homogeneous credit groups are formed by applying statistical methods based on historical data about the defaults of the borrowers and the suffered losses within the corresponding homogeneous credit group. The individually assessed borrowers are assigned to a relevant risk class reflecting the probability of default in particular risk class. The Group classifies the individually appraised borrowers into 16 risk classes. The information on distribution of individually appraised loans and leasing portfolio (in LTL million) by risk class is as follows:



	1-4	5	6	7	8	9	10	11	12	13	14	15	16	SE*
2007 12 31	64	153	103	220	1871	3289	6309	2006	136	12	8	7	141	572
2008 12 31	57	414	90	492	2352	2450	5688	1371	620	684	197	202	833	943

□ 2007 12 31 ■ 2008 12 31

**SM – small enterprise*

The analysis in the table above did not include private individuals LTL 8,482 million (2007: LTL 6,922 million), accrued interest and administration fee LTL 56 million (2007: LTL 41 million), provision for impairment losses LTL 427 million (2007: LTL 173 million).

Other risk valuation system and scale is used for small corporates' risk assessment, it varies from A to E (A,B,C,D,E).

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 credit risk analysis of Non-retail credit exposures is based on the assessment of the ability of borrowers to meet interest and principal amount repayment obligations. The credit risk of the Non-retail borrowers is reviewed on regular basis at least once per year depending on the risk class assigned to the borrower.

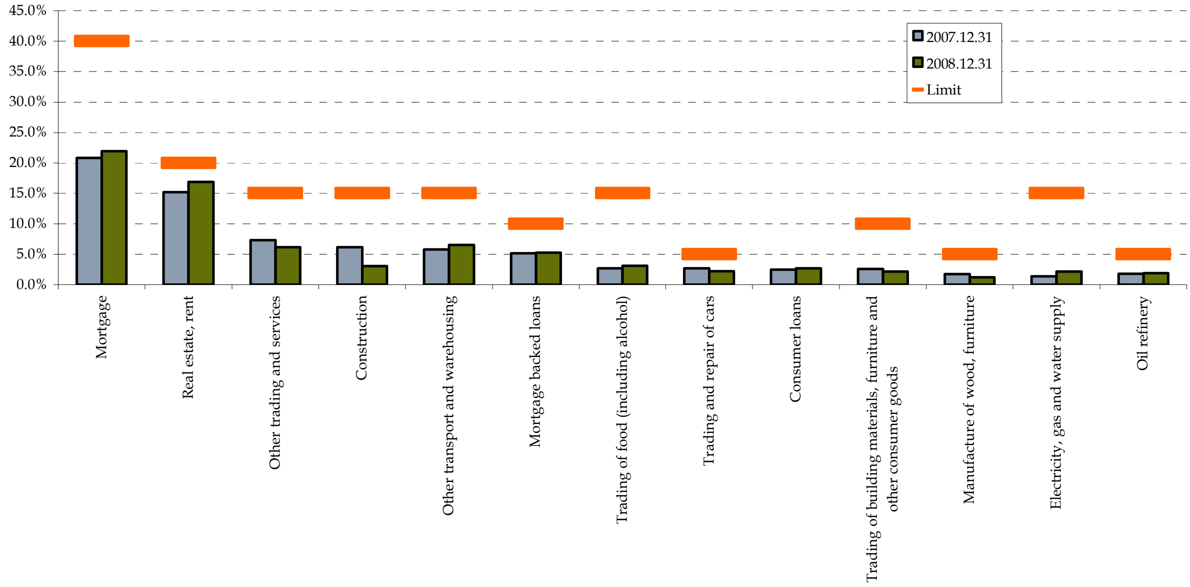
Scoring models are used in credit risk assessment process of Retail exposures. The application scoring models are used for the assessment of counterparty risk (Probability of Default) and transaction risk (Loss Given Default) during customer credit application phase. Due to the fact that credit worthiness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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

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



NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements. The below table represents a worse case scenario of credit risk exposure to the Group at 31 December 2008 and 2007, 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.

2008	2007		2008	2007
830,593	978,270	Due from banks, net	830,186	977,976
63,612	2,060,853	Government securities – available for sale	62,987	2,060,257
399,232	594,860	Financial assets at fair value through profit or loss	95,124	192,653
114,792	340,182	Derivative financial instruments	114,792	340,182
39,651	30,254	Loans to credit and financial institutions, net of impairment allowances	937,335	1,155,117
		Loans to customers, net of impairment allowances		
4,116,153	3,257,495	Property management	4,116,153	3,257,495
7,171,666	7,408,969	Other corporate	7,179,340	7,405,926
786,130	337,616	Public	786,130	337,616
6,686,766	5,286,351	Mortgage loans	6,686,766	5,286,351
1,519,580	1,462,857	Other private individuals	1,519,580	1,462,857
1,750,534	-	Governmetn securities - loans and receivables	1,750,534	-
		Finance lease receivable, net of impairment allowances		
3,980,318	3,674,105	Corporate	-	-
198,254	148,293	Private individuals	-	-
44,970	105,740	Other	-	-
18,468	42,406	Investment securities – available for sale	18,467	27,401
12,989	12,493	Investment securities – held to maturity	12,989	12,493
157,601	188,361	Other financial assets, net of impairment allowances	86,108	127,949
4,851,744	5,839,519	Credit risk exposures relating to off-balance sheet items	4,852,616	5,605,938
32,743,053	31,768,624	**Total as of 31 December**	29,049,107	28,250,211

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio and debt securities. For information on loan ratings see Credit risk management note information above. More than 84% of the investments 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 variance/covariance method that express the maximum potential loss that can arise at a chosen level of probability during a certain period of time.

Trading risk is measured on daily basis using 99 percent probability level and 10 days time horizon. VaR exposure for non-trading positions is calculated on monthly basis using 10 days time horizon and the same probability level. Historical data are based on 90 days for estimation of volatility and correlation. Additionally the Bank uses the sensitivity measures applied for risk assessment of specific market risk type/portfolio/position: delta 1 p.p. is applied for interest rate sensitive portfolios/positions, delta/gama/vega measures – for options, etc. Value at Risk assessment results on the total portfolio positions are shown in Note 45.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

Capital adequacy is assessed by capital adequacy ratio – the Bank's (and the financial group) capital required to cover credit risk, risks in trading book and operational risk, multiplied by 0.08. The minimum required ratio is 8 percent.

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. Based of that the Bank set a goal to achieve that ICAAP result is continuously higher than 9.9 per cent during 2008.

The Bank's and the Finanial Group capital adequacy ratios during 2008 were as follows:

	31 March 2008	30 June 2008	30 September 2008	31 December 2008
The Bank	12.72%	11.98%	12.54%	12.09%
The Financial Group	11.24%	10.49%	10.88%	10.55%

For further information see Note 43.

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 2008 are presented in Note 44.

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 2008 is presented in Note 45.

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

The Group's undiscounted non-derivative financial liability analysis as of 31 December 2008:

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	784,061	170,765	832,153	5,189,200	10,312,857	17,289,036
Deposits from public	8,672,767	956,447	505,924	67,730	7,264	10,210,133
Debt securities in issue and subordinated loans	61,237	43,624	98,000	450,422	891,882	1,545,165
Other financial liabilities	125,570	9,567	17,033	7,442	257,935	417,547
Total undiscounted non-derivative financial liabilities	9,643,635	1,180,403	1,453,110	5,714,794	11,469,938	29,461,881
Off balance sheet commitments related to lending	1,788,006	284,700	788,917	350,669	1,099,044	4,311,336
Rental off balance sheet commitments	10,151	9,982	17,769	81,179	81,531	200,612

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

The Bank's undiscounted non-derivative financial liability analysis as of 31 December 2008:

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	710,967	65,120	595,125	3,619,653	8,448,653	13,439,518
Deposits from public	8,678,667	956,447	505,924	67,730	7,264	10,216,032
Debt securities in issue and subordinated loans	61,237	43,624	98,000	451,285	891,881	1,546,027
Other financial liabilities	89,075	470	873	660	2,718	93,796
Total undiscounted non-derivative financial liabilities	9,539,946	1,065,661	1,199,922	4,139,328	9,350,516	25,295,373
Off balance sheet commitments related to lending	1,824,484	277,415	513,128	367,722	1,317,434	4,300,183
Rental off balance sheet commitments	9,980	9,811	17,447	79,984	81,531	198,753

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

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

Undiscounted derivative instruments analysis for the Bank and the Group as of 31 December 2008:

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
IRS	36,724	84,458	47,849	322,999	464,867	956,897
FX forwards	25,726	4,529	2,539	14	-	32,808
FX swaps	870,529	198,358	124,347	-	-	1,193,234
Equity options	-	7	1,025	9,514	40	10,586
Interest rate options	498	445	2,514	12,646	7,882	23,985
Currency options	12,461	-	56	219	-	12,736
Futures	836	-	-	-	-	836
Forward rate agreements	51,447	-	86,720	583,921	-	722,088
Total outflows	998,221	287,797	265,050	929,313	472,789	2,953,170
Inflows:						
IRS	35,373	46,160	76,602	294,410	428,776	881,321
FX forwards	29,363	3,843	2,570	19	-	35,795
FX swaps	868,885	199,792	126,019	-	-	1,194,696
Equity options	-	-	1,025	9,514	40	10,579
Interest rate options	498	445	2,419	12,415	7,913	23,690
Currency options	12,787	-	56	219	-	13,062
Forward rate agreements	345,340	703	139,997	18,016	270,554	774,610
Total inflows	1,292,246	250,943	348,688	334,593	707,283	2,933,753

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

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

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
IRS	34,337	62,257	41,777	266,683	489,337	894,391
FX forwards	236,894	11,151	15,659	1,041	1,518	266,263
FX swaps	1,248,437	255,507	34,528	-	-	1,538,472
Equity options	25,284	6,033	74,172	190,750	9,285	305,524
Interest rate options	994	994	1,989	4,972	-	8,949
Currency options	1,514	718	-	95	-	2,327
Forward rate agreements	-	1,925	8,323	35,340	510,131	555,719
Total outflows	1,547,460	338,585	176,448	498,881	1,010,271	3,571,645
Inflows:						
IRS	34,128	32,364	65,169	235,946	449,696	817,303
FX forwards	231,663	10,669	15,436	1,014	1,476	260,258
FX swaps	1,248,701	256,873	34,938	-	-	1,540,512
Equity options	25,284	6,033	74,172	190,750	9,285	305,524
Interest rate options	994	994	1,989	4,972	-	8,949
Currency options	1,514	719	-	95	-	2,328
Futures	2,868	-	-	-	-	2,868
Forward rate agreements	345,280	-	120,848	-	-	466,128
Total inflows	1,890,432	307,652	312,552	432,777	460,457	3,403,870

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

The maturity of the leasing portfolio is presented in Note 26 and shows the remaining period from the balance sheet date to the contractual maturity.

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

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

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

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).

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Financial risk management policy (continued)

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

Impairment losses on loans and advances. The Group reviews its loan portfolios to assess impairment regularly, but at least once per year.

To identify impairment loss correctly and on time, the Group reviews loan portfolio: risk class 8 or higher – at least once per year; risk class 9-10 - on half year basis; risk class 11-16 – on quarterly basis; homogeneous groups (small corporate loans , mortgage loans, consumer loans and credit cards) credit reviews are performed automatically on quarterly basis. Corporate exposures that belong to industries of higher risk are reviewed on quarterly basis regardless of the assigned risk class. After reviews loss events and impairments can be assessed. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

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

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

Recent volatility in global financial markets. The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Impairment losses on loans and advances. The Bank and the Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated higher or lower by LTL 15,380 thousand (2007: LTL 7,889 thousand), of which LTL 11,523 thousand (2007: LTL 5,404 thousand) coming from loans and advances assessed individually and LTL 3,857 thousand (2007: LTL 2,485 thousand) from loans and advances assessed on pool basis.

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

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

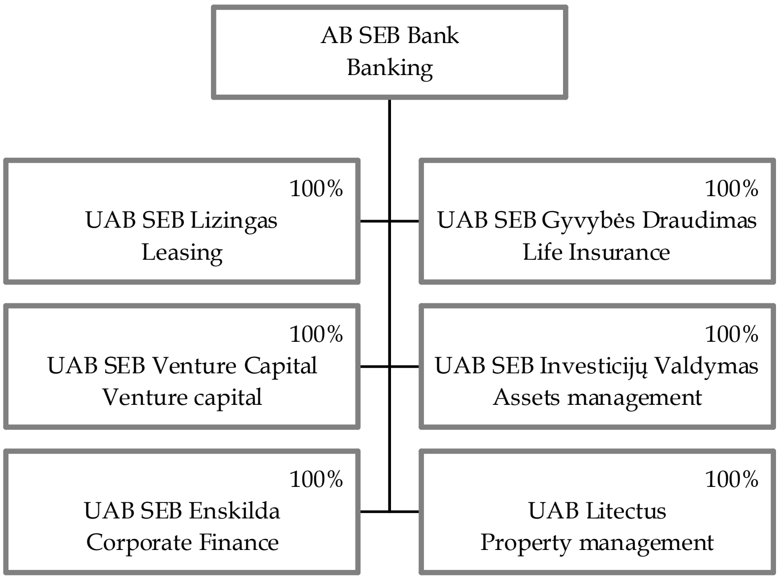
Finance leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards. The Group considers that risks and rewards are substantially transferred if present value of minimal lease payments constitutes not less than 90% of acquisition value of the asset leased; the lease 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 sufficiently 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 at least 75% of the economic life of the asset even if title is not transferred; and the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Goodwill. Recoverable amount of goodwill was estimated based on value in use calculation. Refer to Note 29.

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 4 GROUP'S STRUCTURE AND OPERATIONS

Organizational structure of AB SEB Bank Group as of 31 December 2008 was as follows:



In December 2008 the management of the Bank decided to establish subsidiary company UAB Litectus, which was registered on 23 January 2009.

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

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

For more information see note 28.

NOTE 5 SEGMENT INFORMATION (LTL 000s)

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

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

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

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

Primary reporting format – business segments for the year ended 31 December 2008

	Consolidated segments							Elimina-tions and adjustments	Total
	Banking	Leasing	Venture capital	Investment management	Corporate finance	Life insurance	Real estate company		
Revenues:									
Internal	67,996	307	209	304	173	(122)	-	(127,457)	(58,590)
External	1,697,344	288,188	377	24,496	12,794	139,512	-	-	2,162,711
	1,765,340	288,495	586	24,800	12,967	139,390	-	(127,457)	2,104,121
Expenses:									
Internal	(862)	(48,587)	(350)	(12,642)	(238)	(6,188)	-	68,867	-
External	(1,239,131)	(173,959)	(713)	(7,045)	(7,903)	(78,614)	-	-	(1,507,365)
	(1,239,993)	(222,546)	(1,063)	(19,687)	(8,141)	(84,802)	-	68,867	(1,507,365)
Depreciation and amortisation	(27,900)	(3,780)	(7)	(44)	(19)	(602)	-	-	(32,352)
Impairment losses on loans and finance lease	(152,556)	(104,094)	-	-	-	-	-	-	(256,650)
Net gain (loss) on investment securities	2,837	-	270	-	9	(92,727)	-	-	(89,611)
Life insurance technical provisions	-	-	-	-	-	39,637	-	-	39,637
Other eliminations	-	-	-	-	-	-	-	-	-
Result for the year	347,728	(41,925)	(214)	5,069	4,816	896	-	(58,590)	257,780
Assets	25,830,497	4,342,692	39,782	18,617	13,956	298,565	3,501	(1,022,575)	29,525,035
Liabilities	23,572,060	4,373,617	14,110	3,490	5,825	272,494	-	(960,133)	27,281,463
Investments in fixed assets	88,792	3,407	2	176	72	734	-	-	93,183

The year ended 31 December 2007

	Consolidated segments							Elimina-tions and adjustments	Total
	Banking	Leasing	Venture capital	Investment management	Corporate finance	Life insurance	Real estate company		
Revenues:									
Internal	119,215	261	237	335	116	1,537	9,537	(131,238)	-
External	1,413,936	222,484	856	29,740	9,809	85,023	991	-	1,762,839
	1,533,151	222,745	1,093	30,075	9,925	86,560	10,528	(131,238)	1,762,839
Expenses:									
Internal	(10,466)	(45,513)	(45)	(18,333)	(225)	(6,319)	(4,564)	85,465	-
External	(968,467)	(116,795)	(2,847)	(7,403)	(7,165)	(22,054)	(2,336)	-	(1,127,067)
	(978,933)	(162,308)	(2,892)	(25,736)	(7,390)	(28,373)	(6,900)	85,465	(1,127,067)
Depreciation and amortisation	(25,930)	(5,758)	(8)	(50)	(25)	(419)	(11)	-	(32,201)
Impairment losses on loans and finance lease	(33,802)	(6,811)	-	-	-	-	-	-	(40,613)
Net gain (loss) on investment securities	1,608	-	7,608	-	192	16,828	-	-	26,236
Life insurance technical provisions	-	-	-	-	-	(71,126)	-	-	(71,126)
Other eliminations	-	-	-	-	-	-	-	(8,367)	(8,367)
Result for the year	496,094	47,868	5,801	4,289	2,702	3,470	3,617	(54,140)	509,701
Assets	24,694,845	4,043,197	32,684	17,697	10,437	429,662	-	(1,239,779)	27,988,743
Liabilities	22,759,019	3,983,182	1,288	6,239	4,456	404,487	-	(1,180,837)	25,977,834
Investments in fixed assets	28,497	17,740	7	40	60	225	1	-	46,570

Net loss on investment securities in Life insurance segments attributes to unit linked investments.

NOTE 6 NET INTEREST INCOME (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
		Interest income:		
9,005	9,555	on balances with Central Banks	9,005	9,555
43,350	30,567	on loans and advances to credit institutions	91,625	75,336
1,219,839	899,708	on loans and advances to customers	1,219,477	903,502
41,257	-	on government securities - loans and receivables	41,257	-
272,734	191,336	on finance leasing portfolio	-	-
40,166	84,657	on debt securities available for sale	40,131	84,630
12,973	13,415	on debt securities, at fair value through profit and loss	12,973	13,415
		Interest expenses:		
(672,398)	(440,219)	on amounts owed to credit and financial institutions	(518,675)	(352,196)
(231,388)	(140,951)	on deposits from the public	(231,386)	(140,951)
(37,686)	(30,928)	on debt securities	(37,469)	(31,390)
(45,700)	(43,350)	deposits insurance expenses	(45,700)	(43,350)
652,152	573,790	**Total net interest income**	581,238	518,551

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

The Group			The Bank	
2008	2007		2008	2007
(151,855)	(33,271)	Impairment losses on loans to customers charge for the year, net	(151,855)	(33,271)
670	1,617	Recovered written off loans	670	1,617
(151,185)	(31,654)	**Impairment losses on loans losses, net**	(151,185)	(31,654)

Movements in impairment losses during year 2008 can be specified as follows:

The Group			The Bank	
2008	2007		2008	2007
161,818	130,522	Impairment losses on loans as of 1 January (note 24)	161,818	130,522
		Impairment losses charged to income statement by customer category, net:		
26,014	9,262	Other corporate	26,014	9,262
96,053	463	Property management	96,053	463
17,130	14,210	Mortgage	17,130	14,210
12,658	9,336	Other private individuals	12,658	9,336
		Loans written off:		
(1,003)	(1,301)	Corporate	(1,003)	(1,301)
(899)	(554)	Private individuals	(899)	(554)
59	(120)	Effect of change in exchange rate	59	(120)
311,830	161,818	**Impairment losses on loans as of 31 December**	311,830	161,818

Impairment losses on loans relate to loans to customers are specified in Note 24.

The Bank had LTL 625,380 thousand of individually impaired loans, gross of impairment allowances as of 31 December 2008 (2007: LTL 126,168 thousand). Accrued interest on these loans amounted to LTL 9,893 thousand as of 31 December 2008 (2007: LTL 1,755 thousand). Interest income on these loans during 2008 amounted to LTL 4,905 thousand (2007: LTL 707 thousand). Impaired loans referred to above are identified in accordance with the Bank's Credit Loss Instructions.

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

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

The Group			The Bank	
2008	2007		2008	2007
115,468	13,450	Impairment losses on finance lease portfolio	-	-
2,471	401	Impairment losses on other assets	38	45
117,939	13,851	**Impairment losses on finance lease portfolio and other assets as of 31 December**	38	45

Movements in impairment losses for finance lease portfolio during year 2008 can be specified as follows:

The Group			The Bank	
2008	2007		2008	2007
13,450	6,949	Impairment losses on finance lease portfolio as of 1 January (note 26)	-	-
		Impairment losses charged to income statement, net:		
100,116	6,364	Corporate	-	-
1,887	447	Private individuals	-	-
15	-	Other		
		Finance leasing receivable written off		
-	(284)	Corporate	-	-
-	(26)	Private individuals	-	-
115,468	13,450	**Impairment losses on finance lease portfolio as of 31 December**	-	-

Impairment losses on finance lease receivable are specified in Note 26.

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

The Group			The Bank	
2008	2007		2008	2007
61,086	56,686	For money transfer operations	61,086	56,686
92,788	83,799	For payment cards services	92,788	83,799
11,133	17,096	For operations with securities	11,133	17,096
92,086	97,353	Other income on services and commissions	62,148	73,802
257,093	254,934	**Income on services and commissions**	227,155	231,383
(2,399)	(2,339)	For money transfer operations	(2,399)	(2,339)
(49,619)	(43,170)	For payment cards services	(49,619)	(43,170)
(3,297)	(3,698)	For operations with securities	(3,297)	(3,698)
(14,033)	(14,907)	Other expenses on services and commissions	(12,106)	(12,480)
(69,348)	(64,114)	**Expenses on services and commissions**	(67,421)	(61,687)

NOTE 9 DIVIDEND INCOME FROM SUBSIDIARIES (LTL 000s)

	2008	2007
UAB SEB Lizingas	49,014	30,057
UAB SEB Investicijų Valdymas	1,400	3,598
UAB SEB Enskilda	2,667	3,173
UAB SEB Venture Capital	5,510	8,944
Total dividend income	58,591	45,772

NOTE 10 NET GAIN (LOSS) ON OPERATIONS WITH DEBT SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
96	2,121	Realised result from operations with debt securities in trading portfolio	96	2,121
(8,021)	(7,217)	Unrealised result from operations with debt securities at fair value through profit or loss portfolio	(6,253)	(7,180)
(27,417)	(29,501)	Result of available for sale portfolio designated for fair value hedge	(27,417)	(29,501)
92,860	-	Government securities - loans and receivables, designated for fair value hedge	92,860	-
(69,175)	17,006	Result of interest rate swap designated as hedging instrument	(69,175)	17,006
(35,285)	(7,610)	Result of other derivatives	(35,285)	(7,610)
11,106	5,625	Result from other trading securities	11,111	2,730
(35,836)	(19,576)	**Total gain (loss) on operations with debt securities and derivatives financial instruments**	(34,063)	(22,434)

Net gain (loss) on operations with derivative financial instruments which are valued using valuation models (options) is LTL 2,041 thousand (2007: LTL 12,447 thousand).

NOTE 11 NET FOREIGN EXCHANGE GAIN (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
67,377	59,945	Gain from foreign exchange trading	67,536	60,441
23,551	30,891	Unrealised translation gain	21,608	37,559
90,928	90,836	**Total net foreign exchange gain**	89,144	98,000

NOTE 12 NET INSURANCE PREMIUM REVENUE (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
104,463	93,601	Premiums written, gross	-	-
39,637	-	Change in other technical provisions	-	-
211	(39)	Reinsurers’ share of change in provision for unearned premiums	-	-
144,311	93,562	**Total net insurance premium revenue**	-	-

NOTE 13 GROSS INSURANCE EXPENSES (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
23,052	8,676	Claims incurred, net	-	-
-	71,126	Change in other technical provisions	-	-
3,266	2,552	Premiums ceded to reinsurers	-	-
2,185	1,186	Change in provision for unearned premiums and unexpired risks,	-	-
7,146	4,550	Other insurance expenses	-	-
35,649	88,090	**Total gross insurance expenses**	-	-

NOTE 14 STAFF COSTS (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
130,160	130,239	Salaries and wages	108,784	109,961
45,864	40,685	Social security expenses	39,106	34,581
176,024	170,924	**Total staff costs**	147,890	144,542

The following numbers of full-time personnel were employed by the Group's companies as of 31 December 2008:

AB SEB Bank	2,146
UAB SEB Lizingas	122
UAB SEB Gyvybės Draudimas	78
UAB SEB Investicijų Valdymas	22
UAB SEB Enskilda	9
UAB SEB Venture Capital	2
Total personnel	2,379

Several employees of the Bank are also employed by subsidiary companies. As of 31 December 2007 the Group employed 2,171 employees.

NOTE 15 OTHER ADMINISTRATIVE EXPENSES (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
23,057	21,071	Depreciation of tangible fixed assets	22,280	20,371
51,876	30,316	Rent and maintenance of premises	50,438	38,088
11,013	11,497	Advertising and promotion expenses	10,321	9,979
13,251	12,345	Communication expenses	12,264	11,441
19,467	13,423	Office equipment maintenance	18,804	13,077
965	2,058	Other than income taxes	470	670
10,156	9,213	Payments for servicing organizations	9,329	8,818
6,947	6,080	Transport expenses	6,230	5,204
5,669	5,653	Employees training expenses	5,271	4,836
6,159	6,058	Amortisation	5,620	5,559
8,090	10,508	Audit and consulting expenses	7,805	10,027
3,136	5,072	Depreciation of assets under operating lease	-	-
1,301	1,999	Charity and sponsorship	1,269	1,988
2,850	1,981	Insurance of banking operations	2,850	1,981
29,799	21,525	Other expenses	17,718	16,894
193,736	158,799	**Total other administrative expenses**	170,669	148,933

NOTE 16 INCOME TAX (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
46,736	91,550	Current year tax charge	36,744	77,394
2,453	(2,196)	Previous years related tax charge	2,710	(1,358)
(8,668)	1,735	Deferred tax credit	6,179	116
40,521	91,089	**Total income tax charge**	45,633	76,152

Previous years related tax charge in the year 2008 LTL 2,453 thousand for the Group and LTL 2,710 thousand for the Bank (2007: LTL 2,196 thousand for the Group and LTL 1,358 thousand for the Bank) represents adjustment updating profit tax payable figure estimated at year end.

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

The Group			The Bank	
2008	2007		2008	2007
298,301	600,790	Profit before tax	393,361	572,246
44,745	108,142	Tax calculated at a tax rate of 15% (2007: 18%)	59,004	103,004
(72,396)	(38,769)	Income not subject for tax	(66,900)	(25,786)
67,508	23,912	Expenses not deductible for tax purposes	50,819	292
2,453	(2,196)	Correction of previous period income tax	2,710	(1,358)
(1,789)	-	Current year tax losses	-	-
40,521	91,089	**Total income tax charge**	45,633	76,152

In the year 2007 the temporary social tax at a rate of 3 percent was introduced. The tax base is the same as for the income tax; therefore the basic tax rate used is 18 percent. In the year 2008 standard tax rate was 15 percent. Starting from the year 2009, income tax to the entities will be 20 percent.

Deferred tax

The Group			The Bank	
2008	2007		2008	2007
835	2,201	Assets at 1 January	-	-
14,847	(1,366)	Income statement charge	-	-
15,682	835	**Assets at 31 December**	-	-

The Group			The Bank	
2008	2007		2008	2007
1,045	2,412	Liability at 1 January	1,045	2,359
6,178	369	Income statement charge	6,178	116
-	(306)	Write-down through business disposals	-	-
(6,820)	(1,430)	Recognized in shareholder's equity	(6,820)	(1,430)
403	1,045	**Liability at 31 December**	403	1,045

Deferred income tax was calculated using 20 percent rate.

NOTE 16 INCOME TAX (LTL 000s) (CONTINUED)

The Group			The Bank	
2008	2007		2008	2007
		Deferred tax assets		
211	214	Revaluation of securities	-	-
(1,199)	178	Amortisation and depreciation	-	-
126	8	Accrued expense	-	-
15,993	241	Allowances	-	-
194	194	Deferred income	-	-
357	-	Accrued taxable loss	-	-
15,682	835	**Deferred tax assets, net**	-	-

The Group			The Bank	
2008	2007		2008	2007
		Deferred tax liability		
6,561	(5,121)	Revaluation of available for sale securities through income statement	6,561	(5,121)
(8,094)	(1,273)	Revaluation of available for sale securities through equity	(8,094)	(1,273)
(2,076)	(383)	Revaluation of trade securities	(2,076)	(383)
898	3,364	Revaluation of derivatives	898	3,364
10,005	6,118	Amortisation and depreciation	10,005	6,118
(6,891)	(1,660)	Other temporary differences	(6,891)	(1,660)
403	1,045	**Deferred tax liability, net**	403	1,045

At the Bank, deferred tax liability was reduced by LTL 3,889 thousand, that related to taxable losses from transactions with securities and derivatives. Deferred tax assets amounting to LTL 357 thousand related to taxable losses from transactions with securities and derivatives in UAB SEB Venture capital. These amounts can be used for taxable profits related to taxable profit from transactions with securities and derivatives for unlimited time. The management does not expect to use SEB Gyvybės Draudimas taxable losses in foreseeable future, therefore, the deferred income tax assets related to accumulated tax losses are not calculated.

The management expects to use approximately LTL 9 million of deferred tax during 2009.

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

The Group			The Bank	
2008	2007		2008	2007
		Unused tax losses		
151,405	141,889	Tax loss, unlimited use	19,445	-
151,405	141,889	**Total unused tax losses**	19,445	-

According to Profit Tax Law amendment, starting from 2008, taxable results can be retained for unlimited time.

NOTE 17 EARNINGS PER SHARE

The Group			The Bank	
2008	2007		2008	2007
257,780	509,701	Net profit attributable to the shareholders (LTL 000s)	347,728	496,094
15,441	15,441	Weighted average number of shares (000s)	15,441	15,441
16.69	33.01	**Basic and diluted earnings per share (LTL)**	22.52	32.13

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 18 BALANCES WITH THE CENTRAL BANKS (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
451,816	668,810	Obligatory reserves	451,816	668,810
277,457	592,659	Balance available for withdrawal	277,457	592,659
729,273	1,261,469	**Total balances with the Central Banks**	729,273	1,261,469

One third of obligatory reserves and the balance available for withdrawal are non-interest bearing according to Central Bank of Lithuania regulations. Obligatory reserves comprise 4 percent (6 percent in 2007) of average balance of deposits from public of previous month.

NOTE 19 DUE FROM BANKS (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
571,710	206,084	Current accounts	571,303	205,790
186,856	31,211	Overnight deposits	186,856	31,211
72,027	740,975	Term deposits	72,027	740,975
830,593	978,270	**Total**	830,186	977,976

NOTE 20 GOVERNMENT SECURITIES – AVAILABLE FOR SALE (LTL 000s)

The Group		The Bank
2,060,853	**At 1 January 2008**	2,060,257
227,116	Additions	226,316
(1,509,776)	Reclasiffication to loans and receivables	(1,509,776)
(705,609)	Disposals (mainly redemption)	(704,814)
39,637	Interest income	39,613
(23,276)	Change in revaluation reserve in equity	(23,276)
(25,333)	Recognised result in income statement	(25,333)
63,612	**At 31 December 2008**	62,987

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

The Group			The Bank	
2008	2007		2008	2007
2,921	7,456	Financial assets held for trading - equity instruments	2,921	7,456
26,141	55,539	Financial assets held for trading - securities of Government of Republic of Lithuania	26,141	55,539
66,062	129,658	Financial assets held for trading - other debt securities	66,062	129,658
29,999	14,700	Financial assets designated at fair value through profit or loss (at initial recognition): venture capital investments in associates	-	-
274,109	402,207	Financial assets designated at fair value through profit or loss (at initial recognition): life insurance traditional, own and investment portfolios	-	-
399,232	609,560	**Total financial assets at fair value through profit and loss**	95,124	192,653

The table below presents an analysis of trading debt securities by rating agency designation at 31 December 2008, based on Standard & Poor's ratings or their equivalent:

	Securities of Government of Republic of Lithuania	Other debt securities
A- to A+	26,141	21,838
Lower than A-	-	30,110
Unrated	-	14,114
Total	26,141	66,062

NOTE 22 DERIVATIVE FINANCIAL INSTRUMENTS (LTL 000s)

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

31 December 2008	Notional amount		Fair value	
	Purchase	Sale	Assets	Liabilities
Foreign exchange derivatives				
Currency forwards	650,202	649,664	11,236	7,060
Currency swaps	1,189,902	1,188,653	1,028	11,438
Put options	16,216	16,125	622	463
Call options	16,435	16,525	632	352
Interest rate derivatives				
Forward deposit	552,448	218,390	-	3,775
Futures	19,681	19,681	-	835
Interest rate swaps	2,943,734	2,943,734	65,568	64,855
Interest rate swaps for hedging purposes	1,387,925	1,387,925	-	133,592
Interest rate options	2,803,710	2,803,710	20,052	20,052
Equity derivatives				
Index linked debt securities option	1,115,594	1,115,594	7,202	42,422
Derivative part of index linked deposit	-	-	3	-
Other derivatives				
Commodity options	31,010	31,010	8,449	8,449
Total derivatives assets/liabilities	10,726,857	10,391,011	114,792	293,293

NOTE 22 DERIVATIVE FINANCIAL INSTRUMENTS (LTL 000s) (CONTINUED)

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

NOTE 23 LOANS TO CREDIT AND FINANCIAL INSTITUTIONS (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
36,963	27,576	Short-term loans	416,156	892,612
2,688	2,678	Long-term loans	521,179	262,505
39,651	30,254	**Total loans to credit and financial institutions**	937,335	1,155,117

Whole amount of loans to credit and financial institutions is not secured by any collateral, except for reverse repurchase transactions that are secured by LTL 25,716 thousand of securities, and whole amount is neither past due nor impaired.

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

The Group			The Bank	
2008	2007		2008	2007
23,763	19,094	Lithuania	921,447	1,143,957
11,043	1,317	Belarus	11,043	1,317
-	3,086	Latvia	-	3,086
-	2,076	Estonia	-	2,076
33	1,185	Germany	33	1,185
1,208	176	Ukraine	1,208	176
1,051	896	United States of America	1,051	896
428	7	Sweden	428	7
2,125	2,417	Other	2,125	2,417
39,651	30,254	**Total loans to credit and financial institutions**	937,335	1,155,117

NOTE 24 LOANS TO CUSTOMERS, NET (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
2,698,790	2,760,368	Short-term loans	2,712,790	2,760,368
17,893,335	15,154,738	Long-term loans	17,887,009	15,151,695
20,592,125	17,915,106	**Total loans to customers**	20,599,799	17,912,063
(311,830)	(161,818)	Less impairment losses on loans	(311,830)	(161,818)
20,280,295	17,753,288	**Loans to customers, net**	20,287,969	17,750,245

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

As of 31 December 2008 loan with floating interest rate exceeded 73 percent of Bank's loan portfolio (2007: 76 percent).

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

Loans to customers against collateral type as of 31 December 2008:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	**Total**
31 December 2008						
Loans secured by mortgage, real property	-	1,936,077	1,974,832	5,861,804	678,050	10,450,763
Loans secured by deposits and securities	-	93,468	98,373	14,530	110,494	316,865
Loans secured by guarantees of government and banks	-	40,409	357,715	2	81	398,207
Accounts receivable and debtors	4,409	1,118,115	1,373,985	3,381	2,455	2,502,345
Inventories and equipment	-	3,793	832,908	77	107	836,885
Other collateral	-	645,861	992,410	715,848	29,214	2,383,333
Unsecured loans	781,721	374,978	1,689,394	134,736	730,572	3,711,401
Total loans to customers	786,130	4,212,701	7,319,617	6,730,378	1,550,973	20,599,799
31 December 2007						
Loans secured by mortgage, real property	-	1,834,184	2,417,895	4,595,292	669,103	9,516,474
Loans secured by deposits and securities	-	100,671	145,726	18,568	40,521	305,486
Loans secured by guarantees of government and banks	11,137	53,095	391,722	41	156	456,151
Accounts receivable and debtors	5,241	687,200	1,486,058	2,519	2,366	2,183,384
Inventories and equipment	-	8,142	1,157,094	368	107	1,165,711
Other collateral	5,851	559,209	875,887	484,174	27,058	1,952,179
Unsecured loans	315,387	15,489	1,046,763	211,871	743,168	2,332,678
Total loans to customers	337,616	3,257,990	7,521,145	5,312,833	1,482,479	17,912,063

Loans amount was splited in line with collateral value, if there were several types of collateral pledged for the same loan.

Included in the above amount of loans secured by deposits and securities is reversed repo transactions amounting to LTL 40,665 thousand with securities of value LTL 48,830 thousand (2007: LTL 127,001 thousand and LTL 175,043 thousand respectively), which include almost equally of each: equity, bonds and indexed linked bonds, issued by the Bank.

NOTE 24 LOANS TO CUSTOMERS, NET (LTL 000s) (CONTINUED)

Bank's loans to customers by customer category as of 31 December 2008:

	2008	2007
Neither past due nor impaired:		
Property management	2,993,984	2,805,466
Other corporate	6,268,931	6,425,448
Public	523,681	313,436
Mortgage loans	6,303,196	5,031,954
Other private individuals	1,386,131	1,359,727
Total neither past due nor impaired	17,475,923	15,936,031
Past due but not impaired:		
Property management	819,497	451,815
Other corporate	814,991	956,415
Public	262,449	24,180
Mortgage loans	427,182	280,879
Other private individuals	164,842	122,752
Total past due but not impaired	2,488,961	1,836,041
Impaired loans:		
Property management	399,220	709
Other corporate	235,695	139,282
Public	-	-
Mortgage loans	-	-
Other private individuals	-	-
Total impaired loans	634,915	139,991
Total loans by customer category:		
Property management	4,212,701	3,257,990
Other corporate	7,319,617	7,521,145
Public	786,130	337,616
Mortgage loans	6,730,378	5,312,833
Other private individuals	1,550,973	1,482,479
Total loans by customer category	20,599,799	17,912,063
Less impairment losses on loans:		
Property management	(96,548)	(495)
Other corporate	(140,277)	(115,219)
Public	-	-
Mortgage loans	(43,612)	(26,482)
Other private individuals	(31,393)	(19,622)
Total impairment losses on loans by customer category	(311,830)	(161,818)
Loans to customers, net	20,287,969	17,750,245

NOTE 24 LOANS TO CUSTOMERS, NET (LTL 000s) (CONTINUED)

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

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	**Total**
31 December 2008						
4 – 7 risk classes	450,222	119,905	235,782	-	-	805,909
8 risk class	72,742	352,995	1,657,411	-	-	2,083,148
9 risk class	717	716,239	1,173,665	-	-	1,890,621
10 risk class	-	1,458,409	2,237,930	-	-	3,696,339
11 risk class	-	82,976	465,477	-	-	548,453
12 risk class	-	86,367	144,287	-	-	230,654
13 – 16 risk class	-	159,240	54,172	-	-	213,412
Homogeneous credits groups	-	17,853	300,207	6,303,196	1,386,131	8,007,387
Total neither past due nor impaired	523,681	2,993,984	6,268,931	6,303,196	1,386,131	17,475,923
31 December 2007						
4 – 7 risk classes	247,284	49,452	203,163	-	-	499,899
8 risk class	65,022	210,169	1,179,280	-	-	1,454,471
9 risk class	1,130	565,333	1,818,877	-	-	2,385,340
10 risk class	-	1,876,737	2,135,287	-	35,968	4,047,992
11 risk class	-	68,532	678,440	-	63,308	810,280
12 risk class	-	8,605	37,607	-	19,739	65,951
13 – 16 risk class	-	-	80	-	31,587	31,667
Homogeneous credits groups	-	26,638	372,714	5,031,954	1,209,125	6,640,431
Total neither past due nor impaired	313,436	2,805,466	6,425,448	5,031,954	1,359,727	15,936,031

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 2008 amounted to LTL 6,326 thousand (2007: LTL 3,043 thousand), of which LTL 1,035 thousand are due more than 60 days. 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 2008 in the Bank was LTL 791,681 thousand (2007: nill).

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 24 LOANS TO CUSTOMERS, NET (LTL 000s) (CONTINUED)

Loans to customers past due but not impaired and fair value of collateral as of 31 December 2008:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	**Total**
31 December 2008						
Loans past due but not impaired:						
past due up to 7 days	262,449	667,492	634,011	145,491	64,178	1,773,621
past due 8-30 days	-	2,217	58,734	131,575	42,358	234,884
past due 30 - 60 days	-	55,571	59,605	60,587	9,342	185,105
past due over 60 days	-	94,217	62,641	89,529	48,964	295,351
Total past due but not impaired	262,449	819,497	814,991	427,182	164,842	2,488,961
Fair value of collateral pledged	-	634,976	650,019	416,514	89,608	1,791,117
31 December 2007						
Loans past due but not impaired:						
past due up to 7 days	24,180	407,802	923,919	127,029	57,808	1,540,738
past due 8-30 days	-	39,467	13,852	86,521	23,346	163,186
past due 31-60 days	-	4,546	12,321	23,495	14,457	54,819
past due over 60 days	-	-	6,323	43,834	27,141	77,298
Total past due but not impaired	24,180	451,815	956,415	280,879	122,752	1,836,041
Fair value of collateral pledged	4,916	437,907	737,569	270,310	70,882	1,521,584

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 2008 were past due up to 7 days and instalments were paid during January 2009, amount LTL 1,409,061 thousand, of which: public sector – the whole amount, property management – LTL 437,647 thousand, other corporate – LTL 525,477 thousand, mortgage loans – LTL 127,391 thousand, other private individuals – LTL 56,097 thousand.

Impaired loans to customers and fair value of collateral as of 31 December 2008:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	**Total**
31 December 2008						
Impaired loans	-	399,220	235,695	-	-	634,915
Fair value of collateral pledged	-	283,523	71,009	-	-	354,532
31 December 2007						
Impaired loans	-	709	139,282	-	-	139,991
Fair value of collateral pledged	-	210	24,061	-	-	24,271

The Bank considers a loan in a homogeneous group to which an 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 25 GOVERNMENT SECURITIES – LOANS AND RECEIVABLES (LTL 000s)

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 amounted LTL 1,614,821 thousand into *loans and receivables* category. The decision included to reclassify LTL 1,509,776 thousand amounting fair value as of the date of reclassification (as of 1 July 2008) from available for sale portfolio and LTL 105,045 thousand from trading portfolio, respectively. Trading portfolio was reclassified because of the rare situation being the worldwide economic downturn which clearly evidenced in September - October 2008.

The management has the intention and ability to hold these securities for the foreseeable future or until maturity. All assets are of high quality and performing as regards amortisations and interest payments. Thus, the classification as loans and receivables better reflects the purpose of these holdings and avoids further short-term mark-to-market volatility in income and equity.

The comparison of the book value and fair value of these financial assets is presented in table in *Accounting policies* part *Fair values*.

Average effective interest rate on reclassified financial assets is 4.25 percent.

NOTE 25 GOVERNMENT SECURITIES – LOANS AND RECEIVABLES (LTL 000s) (CONTINUED)

The Bank accounted for the following gains and losses recognized in income statement and other comprehensive income in respect of these financial assets in 2008:

	The Bank		
	2008		
	before reclassification	after reclassification	2007
Fair value loss, accounted for in income statement	(31,464)	-	(27,432)
Fair value loss, accounted for in equity	(9,921)	-	(7,199)
Interest income	27,501	41,257	49,267

Reclassified trading portfolio was acquired during 2008, therefore in table above 2007 figures are presented only for available for sale portfolio.

Presented below are the estimated amounts of undiscounted cash flows the Group expected to recover from these reclassified securities as at the date of reclassification:

up to 3 years			304,663
more than 3 up to 5 years			1,453,688
more than 5 years			251,948
Total expected to recover			2,010,299

If the Bank had not reclassified financial assets to loans and receivables, revaluation reserve of financial assets in equity would have been lower by LTL 220 million, and result from revaluation of securities in income statement would have been lower by LTL 3 million respectively.

NOTE 26 FINANCE LEASE RECEIVABLE, NET (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
		Gross finance lease receivable		
1,509,303	1,343,631	-Falling due within one year	-	-
2,876,236	2,637,033	-Falling due from one to five years	-	-
676,496	619,087	-Falling due after five years	-	-
5,062,035	4,599,751	**Total gross finance lease receivable**	-	-
		Unearned finance income		
(232,396)	(208,922)	-Falling due within one year	-	-
(398,143)	(361,167)	-Falling due from one to five years	-	-
(92,486)	(88,074)	-Falling due after five years	-	-
(723,025)	(658,163)	**Total unearned finance income**	-	-
(115,468)	(13,450)	Less impairment losses on finance lease receivable	-	-
4,223,542	3,928,138	**Total finance lease receivable, net**	-	-

As of 31 December 2008 unguaranteed residual values amounted to LTL 5,482 thousand (2007: LTL 7,445 thousand).

As of 31 December 2008 finance lease contracts with floating interest rate reached 85.98 percent of leasing portfolio (2007: 86.8 percent).

NOTE 26 FINANCE LEASE RECEIVABLE, NET (LTL 000s) (CONTINUED)

Finance lease receivable by customer category as of 31 December 2008:

The Group			The Bank	
2008	2007		2008	2007
		Neither past due nor impaired:		
2,794,166	2,917,330	Corporate	-	-
173,082	120,215	Private individuals	-	-
43,317	103,470	Other	-	-
3,010,565	3,141,015	**Total neither past due nor impaired**	-	-
		Past due but not impaired:		
796,024	756,964	Corporate	-	-
21,566	25,970	Private individuals	-	-
1,653	2,270	Other	-	-
819,243	785,204	**Total past due but not impaired**	-	-
		Impaired finance lease receivable:		
502,671	12,238	Corporate	-	-
6,516	3,131	Private individuals	-	-
15	-	Other	-	-
509,202	15,369	**Total impaired finance lease receivable**	-	-
		Total finance lease receivable by customer category:		
4,092,861	3,686,532	Corporate	-	-
201,164	149,316	Private individuals	-	-
44,985	105,740	Other	-	-
4,339,010	3,941,588	**Total finance lease receivable by customer category**	-	-
		Less impairment losses on finance lease receivable:		
(112,543)	(12,427)	Corporate	-	-
(2,910)	(1,023)	Private individuals	-	-
(15)	-	Other	-	-
(115,468)	(13,450)	**Total impairment losses on finance lease receivable by**	-	-
4,223,542	3,928,138	**Finance lease receivable, net**	-	-

NOTE 26 FINANCE LEASE RECEIVABLE, NET (LTL 000s) (CONTINUED)

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

	Corporate	Private individuals	Other	**Total**
31 December 2008				
4 – 7 risk classes	3,583	38	3,671	7,292
8 risk class	220,599	-	2,222	222,821
9 risk class	391,150	-	18,961	410,111
10 risk class	1,040,667	256	1,902	1,042,825
11 risk class	429,846	4,459	14,639	448,944
12 risk class	130,906	597	1,922	133,425
13-16 risk class	100,909	1,359	-	102,268
Homogeneous credits groups	476,506	166,373	-	642,879
Total neither past due nor impaired	2,794,166	173,082	43,317	3,010,565
31 December 2007				
4 – 7 risk classes	5,622	-	17,554	23,176
8 risk class	164,678	-	1,223	165,901
9 risk class	489,041	-	26,525	515,566
10 risk class	1,282,276	2,756	47,619	1,332,651
11 risk class	928,398	3,261	9,169	940,828
12 risk class	35,567	1,975	1,317	38,859
13-16 risk class	11,748	-	63	11,811
Homogeneous credits groups	-	112,223	-	112,223
Total neither past due nor impaired	2,917,330	120,215	103,470	3,141,015

The carrying amount of lease receivable, that would otherwise be past due or impaired whose terms have been renegotiated, as of 31 December 2008 in the Group was LTL 246 thousand (2007: nill).

Finance lease receivable past due but not impaired and fair value of collateral as of 31 December 2008:

	Corporate	Private	Other	**Total**
31 December 2008				
Loans past due but not impaired:				
past due up to 30 days	565,252	17,233	1,446	583,931
past due 31 - 60 days	215,656	3,354	207	219,217
past due over 60 days	15,116	979	-	16,095
Total past due but not impaired	796,024	21,566	1,653	819,243
Fair value of collateral pledged	883,779	22,570	1,653	908,002
31 December 2007				
Loans past due but not impaired:				
past due up to 30 days	653,774	19,618	2,075	675,467
past due 31-60 days	82,941	2,531	195	85,667
past due over 60 days	20,249	3,821	-	24,070
Total past due but not impaired	756,964	25,970	2,270	785,204
Fair value of collateral pledged	851,733	26,184	2,270	880,187

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

Impaired finance leases receivable amounts and fair value of collateral as of 31 December 2008:

	Corporate	Private	Other	**Total**
31 December 2008				
Impaired loans	502,671	6,516	15	509,202
Fair value of collateral pledged	281,875	3,936	15	285,826
31 December 2007				
Impaired loans	12,238	3,131	-	15,369
Fair value of collateral pledged	6,920	1,997	-	8,917

NOTE 26 FINANCE LEASE RECEIVABLE, NET (LTL 000s) (CONTINUED)

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

	Corporate	Private	Other	**Total**
31 December 2008				
Trucks and other vehicles	1,585,835	625	423	1,586,883
Real estate	1,070,863	11,723	580	1,083,166
Cars and mini-vans	667,386	186,878	42,418	896,682
Manufacturing equipment	386,328	122	207	386,657
Shop equipment	25,802	41	-	25,843
Construction equipment	188,946	578	-	189,524
Agricultural equipment	47,922	703	-	48,625
Office equipment	27,602	129	85	27,816
Medical equipment	11,974	263	1,272	13,509
Railway wagons and containers	55,285	-	-	55,285
Water transport means	-	-	-	-
Other assets	24,918	102	-	25,020
Total finance lease receivable by type of collateral	4,092,861	201,164	44,985	4,339,010
31 December 2007				
Trucks and other vehicles	1,448,941	963	14,540	1,464,444
Real estate	920,672	13,390	33,929	967,991
Cars and mini-vans	581,431	133,431	49,648	764,510
Manufacturing equipment	391,462	130	321	391,913
Shop equipment	25,359	33	92	25,484
Construction equipment	196,007	297	-	196,304
Agricultural equipment	42,434	862	48	43,344
Office equipment	24,904	27	4,948	29,879
Medical equipment	7,105	36	2,177	9,318
Railway wagons and containers	10,946	-	-	10,946
Water transport means	12,062	-	-	12,062
Other assets	25,209	147	37	25,393
Total finance lease receivable by type of collateral	3,686,532	149,316	105,740	3,941,588

NOTE 27 INVESTMENT SECURITIES (LTL 000s)

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

The Group			**The Bank**	
2008	**2007**		**2008**	**2007**
		Securities available for sale:		
8,394	17,149	AB Teo	8,394	17,149
1,513	1,977	Mastercard Class	1,513	1,977
1,441	582	AB Pieno Žvaigždės debt securities	1,441	582
-	113	SEB Bonds	-	113
-	262	AB Rokiskio Sūris	-	262
200	200	AB Panevezio Energija	200	200
6,919	7,118	AB Apranga debt securities	6,919	7,118
1	305	Other securities available for sale	-	-
18,468	27,706	**Total securities held for investment purposes**	18,467	27,401

Above securities both debt and equity are not rated.

NOTE 27 INVESTMENT SECURITIES (LTL 000s) (CONTINUED)

The movement in investment securities for 2008 may be summarised as follows:

The Group			The Bank	
Available-for-sale	**Held to maturity**		**Available-for-sale**	**Held to maturity**
27,706	12,493	**1 January 2008**	27,401	12,493
134	496	Foreign exchange differences on monetary assets	134	496
974	-	Additions	974	-
(715)	-	Disposal (mainly redemption)	(400)	-
529	-	Interest income	518	-
(10,160)	-	Change in revaluation reserve in equity	(10,160)	-
18,468	12,989	**31 December 2008**	18,467	12,989

NOTE 28 INVESTMENTS IN SUBSIDIARIES (LTL 000s)

The Group			The Bank	
2008	**2007**		**2008**	**2007**
		Securities accounted for under cost method:		
-	-	UAB SEB Lizingas	10,000	10,000
-	-	UAB SEB Venture Capital	25,000	25,000
-	-	UAB Litectus	3,500	-
-	-	UAB SEB Gyvybės Draudimas	10,325	10,325
-	-	UAB SEB Enskilda	3,716	3,716
-	-	UAB SEB Investicijų Valdymas	9,900	9,900
-	-	**Total investments in subsidiaries**	**62,441**	**58,941**

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

UAB SEB Venture Capital is a fully owned subsidiary involved in venture capital activities. Financial statements of UAB SEB Venture Capital for the year ended 31 December 2008 are consolidated in these financial statements.

UAB SEB Gyvybės Draudimas is a fully owned subsidiary of the Bank and is engaged in provision of life insurance services. Financial statements of UAB SEB Gyvybės Draudimas for the year ended 31 December 2008 are consolidated in these financial statements.

UAB SEB Enskilda is engaged in provision of corporate finance services. It is fully owned subsidiary of the Bank. Financial statements of UAB SEB Enskilda for the year ended 31 December 2008 are consolidated in these financial statements. During 2007 the Bank reduced share capital of the subsidiary to LTL 2,550 thousand.

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

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

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

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

NOTE 28 INVESTMENTS IN SUBSIDIARIES (LTL 000s) (CONTINUED)

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

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

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

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

NOTE 29 INTANGIBLE FIXED ASSETS (LTL 000s)

The Group				The Bank		
Goodwill	Software and other intangible fixed assets	Total intangible		Goodwill	Software and other intangible fixed assets	Total intangible fixed assets
			Cost			
169,550	57,198	226,748	31 December 2006	169,550	53,897	223,447
-	6,818	6,818	Additions	-	6,574	6,574
-	(1,845)	(1,845)	Disposals	-	(1,815)	(1,815)
169,550	62,171	231,721	31 December 2007	169,550	58,656	228,206
			Accumulated amortisation			
-	42,551	42,551	31 December 2006	-	40,066	40,066
-	6,058	6,058	Charge for the year	-	5,559	5,559
-	(1,835)	(1,835)	Amortisation of disposals	-	(1,815)	(1,815)
-	46,774	46,774	31 December 2007	-	43,810	43,810
			Costs			
-	61,450	61,450	Additions	-	60,802	60,802
-	(56)	(56)	Disposals	-	(31)	(31)
169,550	123,565	293,115	31 December 2008	169,550	119,427	288,977
			Accumulated amortisation			
-	6,159	6,159	Charge for the year	-	5,620	5,620
-	(56)	(56)	Amorisation of disposals	-	(31)	(31)
-	52,877	52,877	31 December 2008	-	49,399	49,399
			Net book value			
169,550	15,397	184,947	**31 December 2007**	169,550	14,846	184,396
169,550	70,688	240,238	**31 December 2008**	169,550	70,028	239,578

NOTE 29 INTANGIBLE FIXED ASSETS (LTL 000s) (CONTINUED)

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

Key assumptions used for value-in-use calculations to test the recoverability of goodwill: management projections for following three years approximately 13.5 percent and sustainable growth rate 4 percent; discount rate used – 14.2 percent.

Recoverable amount exceeds the carrying value by 4 percent.

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

No impairment was recognised on goodwill as at 31 December 2008 (2007: nill).

NOTE 30 TANGIBLE FIXED ASSETS (LTL 000s)

	The Bank			
	Buildings and other real estate	**Computer equipment**	**Office equipment and other**	**Total tangible fixed assets**
Cost				
31 December 2006	12,136	108,574	50,865	171,575
Additions	1,591	11,139	9,193	21,923
Disposals and reclassifications	(135)	(6,132)	(4,461)	(10,728)
31 December 2007	13,592	113,581	55,597	182,770
Accumulated depreciation				
31 December 2006	1,566	83,043	30,007	114,616
Charge for the year	974	12,413	6,984	20,371
Depreciation of disposals and reclassifications	(7)	(6,070)	(4,276)	(10,353)
31 December 2007	2,533	89,386	32,715	124,634
Cost				
Additions	1,724	17,031	9,235	27,990
Disposals and reclassifications	(325)	(3,763)	(2,678)	(6,766)
31 December 2008	14,991	126,849	62,154	203,994
Accumulated depreciation				
Charge for the year	2,341	11,714	8,225	22,280
Depreciation of disposals and reclassifications	(1)	(3,701)	(2,450)	(6,152)
31 December 2008	4,873	97,399	38,490	140,762
Net book value				
31 December 2007	11,059	24,195	22,882	58,136
31 December 2008	10,118	29,450	23,664	63,232

NOTE 30 TANGIBLE FIXED ASSETS (LTL 000s) (CONTINUED)

	The Group			
	Buildings and other real estate	**Computer equipment**	**Office equipment and other**	**Total tangible fixed assets**
Cost				
31 December 2006	12,136	110,313	52,462	174,911
Additions	17,779	11,509	10,464	39,752
Disposals and reclassifications	(135)	(6,334)	(5,265)	(11,734)
31 December 2007	29,780	115,488	57,661	202,929
Accumulated depreciation				
31 December 2006	1,566	84,102	30,790	116,458
Charge for the year	974	12,795	7,302	21,071
Depreciation of disposals and reclassifications	(7)	(6,232)	(4,704)	(10,943)
31 December 2007	2,533	90,665	33,388	126,586
Cost				
Additions	4,049	17,312	10,372	31,733
Reclassification to/from leasing	-	(12)	(697)	(709)
Disposals and reclassifications	(18,838)	(4,125)	(3,150)	(26,113)
31 December 2008	14,991	128,663	64,186	207,840
Accumulated depreciation				
Charge for the year	2,341	12,101	8,615	23,057
Reclassification to/from leasing	-	-	(113)	(113)
Depreciation of disposals and reclassifications	(1)	(4,044)	(2,646)	(6,691)
31 December 2008	4,873	98,722	39,244	142,839
Net book value				
31 December 2007	27,247	24,823	24,273	76,343
31 December 2008	10,118	29,941	24,942	65,001

NOTE 31 ASSETS UNDER OPERATING LEASE (LTL 000s)

Movement of assets under operating lease during 2008 is provided below:

	The Group		
	Vehicles	**Office equipment and other**	**Total assets under operating lease**
Cost			
31 December 2007	18,957	432	19,389
Additions	2,162	-	2,162
Disposals	(6,393)	-	(6,393)
Transfer to (from) leasing portfolio	(1,326)	-	(1,326)
31 December 2008	13,400	432	13,832
Accumulated depreciation			
31 December 2007	6,894	289	7,183
Charge for the year	3,016	120	3,136
Depreciation of disposals	(3,208)	-	(3,208)
Depreciation of transfers to/from leasing portfolio	(832)	-	(832)
31 December 2008	5,870	409	6,279
Impairment			
31 December 2007	57	-	57
Impairment charge	6	-	6
Impairment of transfers to/from leasing portfolio	(57)	-	(57)
31 December 2008	6	-	6
Net book value			
31 December 2007	12,006	143	12,149
31 December 2008	7,524	23	7,547

NOTE 32 NON CURRENT ASSETS HELD FOR DISPOSAL (LTL 000s)

During 2006 the SEB management decided to sell all real estate held by the Group and therefore all real estate from 'Investment property' and 'Tangible fixed assets' captures was transferred to non-current assets held for sale category. As of 31 December 2006 the Bank's non-current assets held for sale amounted LTL 35,632 thousand, leasing company's – LTL 19,336 thousand and real estate company's – LTL 119,932 thousand. For detail information on sale of real estate subsidiary and real estate attributable to that subsidiary see note 28.

The details of the result of the Bank's and the Group's gain on sale of real estate in 2007 is as follows:

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

As of 31 December 2008 major amount of groups 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.

NOTE 33 OTHER ASSETS, NET (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
		Financial other assets		
490	69,460	Cash withdrawn from cards accounts	490	69,460
51,847	52,059	Advances paid for assets to be leased	-	-
18,610	18,472	Amounts receivable for cash exported	18,610	18,472
20,890	16,595	Amounts of executed bank transfers not yet withdrawn from customers' accounts	20,890	16,595
40,443	13,899	Amounts outstanding for clearance	40,443	13,899
19,222	17,416	Accrued income	4,114	8,846
525	369	Current lease receivable	-	-
-	91	Accounts receivable for assets sold	-	677
5,574	-	Other financial assets	1,561	-
157,601	188,361	Total other financial assets	86,108	127,949
		Non financial other assets		
4,975	24,433	Assets not yet leased	-	-
13,680	12,041	Deferred expenses	13,336	11,701
4,313	5,402	Deferred insurance acquisition costs	-	-
-	2,536	Assets taken back from lessees	-	-
518	584	Prepaid taxes	129	371
20,172	18,405	Other assets, net of impairment allowances	17,909	15,064
43,658	63,401	Total non financial other assets	31,374	27,136
201,259	251,762	**Total other assets, net**	117,482	155,085

NOTE 34 AMOUNTS OWED TO CREDIT AND FINANCIAL INSTITUTIONS (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
1 924 133	1 627 208	Falling due within one year	1 518 470	1 562 519
13 232 477	10 918 561	Falling due after one year	10 245 805	8 259 904
15 156 610	12 545 769	**Total amounts owed to credit and financial institutions**	11 764 275	9 822 423

As of 31 December 2008 the Group has pledged own issued securities amounting to LTL 123 million (2007: LTL 169 million) as security in borrowings transactions and LTL 5 thousand (2007: LTL 99 thousand) equity securities.

NOTE 35 DEPOSITS FROM THE PUBLIC (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
5,107,439	6,980,941	Current and demand deposits	5,113,339	6,995,504
5,029,120	3,752,878	Term deposits falling due within one year	5,029,120	3,752,878
66,450	74,276	Term deposits falling due after one year	66,450	74,276
10,203,009	10,808,095	**Total deposits from the public**	10,208,909	10,822,658

The Group			The Bank	
2008	2007		2008	2007
3,846,320	5,020,721	Corporate customers' deposits and accounts	3,852,220	5,035,284
6,356,689	5,787,374	Individual customers' deposits and accounts	6,356,689	5,787,374
10,203,009	10,808,095	**Total deposits from the public**	10,208,909	10,822,658

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

NOTE 36 LIABILITIES IN LIFE INSURANCE OPERATIONS (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
209,585	252,793	Long-term life insurance contract provisions	-	-
3,997	1,424	Claims outstanding for short-term non-life insurance contracts	-	-
6,337	4,150	Unearned premiums for short-term non-life insurance contracts	-	-
219,919	258,367	**Total liabilities in life insurance operations**	-	-

Decrease in provisions through income statement during the year 2008 amounted LTL 39,637 thousand (2007: increase LTL 71,126thousand).

NOTE 37 SUBORDINATED LOANS (LTL 000s)

The Group			Interest rate %	The Bank	
2008	2007			2008	2007
-	51,824	EUR 15 m subordinated loan due 2013	EURIBOR+0.8%	-	51,824
86,492	86,566	EUR 25 m subordinated loan due 2015	EURIBOR+0.8%	86,492	86,566
139,578	139,500	EUR 40 m subordinated loan due 2016	EURIBOR+0.8%	139,578	139,500
69,192	69,261	EUR 20 m subordinated loan due 2016	EURIBOR+0.75%	69,192	69,261
147,514	147,184	EUR 42 m subordinated loan due 2016	EURIBOR+0.75%	147,514	147,184
160,411	159,673	EUR 45 m subordinated loan due 2017	EURIBOR+0.75%	160,411	159,673
603,187	654,008	**Total subordinated loans**		603,187	654,008

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

NOTE 38 DEBT SECURITIES IN ISSUE (LTL 000s)

The Group			Interest rate %		The Bank	
2008	2007		2008	2007	2008	2007
		Debt securities in issue:				
		Debt securities issued in 2005:				
-	72,699	3 years debt securities due 2008	-	3.1	-	72,802
-	66,333	3 years index linked debt securities due 2008	-	-	-	67,580
		Debt securities issued in 2006:				
-	80,195	index linked debt securities due 2008	-	-	-	80,195
90,778	154,517	index linked debt securities due 2009	-	-	90,778	154,517
22,471	31,624	index linked debt securities due 2010	-	-	22,471	31,624
(1,095)	5,238	index linked debt securities due 2011	-	-	(1,095)	5,238
		Debt securities issued in 2007:				
-	15,238	2 year debt securities due 2008	-	4.8	-	15,238
-	24,040	2 year debt securities due 2008	-	5.25	-	24,040
-	711	3 year debt securities due 2009	-	4	-	711
549	-	2 year debt securities due 2009	4	-	549	-
29,088	31,719	index linked debt securities due 2009	-	-	29,088	31,719
252,643	342,033	index linked debt securities due 2010	-	-	252,643	342,033
48,081	48,900	index linked debt securities due 2011	-	-	48,864	49,745
		Debt securities issued in 2008:				
19,825	-	1 year index linked debt securities due 2009	6.1	-	19,825	-
7,160	-	1 year index linked debt securities due 2009	5.7	-	7,160	-
8,180	-	1 year index linked debt securities due 2009	5.75	-	8,180	-
4,291	-	1 year index linked debt securities due 2009	5.85	-	4,291	-
4,582	-	1 year index linked debt securities due 2009	5.95	-	4,582	-
26,823	-	1 year index linked debt securities due 2009	6.5	-	26,823	-
2,103	-	1 year index linked debt securities due 2009	5.5	-	2,103	-
3,526	-	1 year index linked debt securities due 2009	7	-	3,526	-
312	-	1 year index linked debt securities due 2009	8	-	312	-
18,053	-	2 year index linked debt securities due 2010	6.4	-	18,053	-
995	-	index linked debt securities due 2009	-	-	995	-
23,405	-	index linked debt securities due 2010	-	-	23,405	-
45,282	-	index linked debt securities due 2011	-	-	45,282	-
741	-	index linked debt securities due 2012	-	-	741	-
607,793	873,247	**Total debt securities in issue**			608,576	875,442

Financial instrument (equity, commodity) linked securities include the host zero coupon instrument issued for the customer.

NOTE 39 OTHER LIABILITIES AND PROVISIONS (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
		Other financial liabilities		
15,818	35,345	Amounts outstanding for clearance	15,818	35,345
13,162	24,307	Prepayments for finance lease	-	-
10,291	43,034	Amounts payable for assets purchased for lease	-	-
17,065	12,642	Vacation reserve accrual	15,010	11,070
4,076	2,695	Provisions for off balance sheet items	4,076	2,695
1,598	754	Name cheques sold	1,598	754
8,684	-	Other financial liabilities	4,716	-
70,694	118,777	Total other financial liabilities	41,218	49,864
		Non financial liabilities		
3,974	27,512	Accrued taxes	-	15,406
13,153	13,383	Prepayments for operating lease	-	-
9,596	19,977	Other liabilities	8,653	15,075
26,723	60,872	Total other non financial liabilities	8,653	30,481
97,417	179,649	**Total other liabilities and provisions**	49,871	80,345

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

NOTE 40 SHAREHOLDERS' EQUITY

Share capital of the Bank consists of 15,441,423 ordinary shares with par value LTL 67 each (2007: LTL 67). All issued shares are fully paid. Reserve capital, which as of 31 December 2008 amounted to LTL 2,200 thousand (2007: LTL 2,200 thousand) for the Bank and LTL 1,034 thousand (2007: 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. So far this process has not been completed.

Legal reserve, which as of 31 December 2008 amounted to LTL 74,639 thousand (2007: LTL 31,348 thousand) for the Bank and LTL 77,394 thousand (2007: LTL 35,215 thousand) for the Group, in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses.

Financial assets revaluation reserve represents available for sale securities revaluation gain. The financial assets reserve movement in 2008 amount consists of the following:

	The Group	The Bank
Government securities – change in revaluation reserve (note 20)	(23,276)	(23,276)
Government securities - amortization of revaluation reserve to income statement	1,499	1,499
Other debt securities - change in revaluation reserve (note 27)	(739)	(739)
Equity securities – change in revaluation reserve (note 27)	(9,421)	(9,421)
Tax recognised in equity (note 16)	6,820	6,820
Net change in available for sale investments, net of deferred tax	(25,117)	(25,117)

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

As of 31 December 2008 the major shareholders were as follows:

Name of shareholder	**Number of shares held**	**Percentage in total**
Skandinaviska Enskilda Banken (SEB)	15,396,270	99.71%
Other	45,153	0.29%
Total	15,441,423	100.00%

NOTE 41 ASSETS UNDER MANAGEMENT (LTL 000s)

The Group			The Bank	
2008	2007		2008	2007
536,016	18,877	Private individuals and corporate customers' assets under management	-	-
157,077	102,651	Pillar two conservative pension fund (SEB Pension 1)	-	-
475,882	415,279	Pillar two balanced pension fund (SEB Pension 2)	-	-
37,529	25,621	Pillar two equity pension fund (SEB Pension 3)	-	-
10,726	14,078	Conservative voluntary pension fund (SEB Pension 1 Plus)	-	-
28,352	56,404	Balanced voluntary pension fund (SEB Pension 2 Plus)	-	-
50,964	141,823	CIS equity fund	-	-
35,119	45,657	CIS bond fund	-	-
77,737	124,327	World market fund of funds	-	-
39,275	75,941	SEB equity fund of funds	-	-
1,448,677	1,020,658	**Total assets under management**	-	-

All assets management services are performed by UAB SEB Investicijų Valdymas. During 2008 the management fee for funds management amounted to LTL 10,740 thousand (2007: LTL 8,517 thousand) and it is included in '*Other income, net*' line in the income statement. During 2006 new equity fund and one pillar two pension fund were established. Two pillar two pension funds were established in 2003, first payments into the funds being made in the second quarter of 2004. Two voluntary pension funds were established in 2004. Three investments funds were established in May of 2005.

NOTE 42 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY (LTL 000s)

The relationship between the maturity of assets and liabilities is indicative of liquidity risk and the extent to which it may be necessary to raise funds to meet outstanding obligations. The table below allocates assets and liabilities to maturity groups based on the time remaining from the balance sheet date to the contractual maturity or actual maturity, if known earlier. The Bank's liquidity analysis as of 31 December 2008:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Assets							
Cash in hand	497,629	-	-	-	-	-	497,629
Balances with the Central Banks	729,273	-	-	-	-	-	729,273
Government securities – available for sale, loans and receivables and trading	34,391	14,973	4,352	43,200	1,790,326	-	1,887,242
Derivative financial instruments	8,390	3,537	2,916	26,761	73,188	-	114,792
Loans to credit and financial institutions and due from banks, net	1,039,238	119,173	190,879	305,578	109,856	2,797	1,767,521
Loans to customers, net	2,039,827	1,796,404	2,541,761	3,352,541	10,043,263	514,173	20,287,969
Investment securities – available for sale and trading	1,104	6,919	18,819	-	-	13,028	39,870
Investment securities – held to maturity	-	-	-	-	12,989	-	12,989
Investments in subsidiaries	-	-	-	-	-	62,441	62,441
Intangible fixed assets (less amortisation)	-	-	-	-	-	239,578	239,578
Tangible fixed assets (less depreciation)	-	-	-	-	-	63,232	63,232
Other assets, net	79,731	62	9,197	377	1	38,593	127,961
Total assets	4,429,583	1,941,068	2,767,924	3,728,457	12,029,623	933,842	25,830,497
Liabilities and shareholders' equity							
Amounts owed to the Central Banks	24	-	-	-	-	-	24
Amounts owed to credit and financial institutions	879,310	64,018	575,142	3,304,549	6,941,256	-	11,764,275
Derivative financial instruments	43,570	4,256	8,165	30,466	206,836	-	293,293
Deposits from the public	8,718,970	937,412	486,077	60,716	5,734	-	10,208,909
Subordinated loans	9,305	-	-	-	593,882	-	603,187
Debt securities in issue	60,870	42,839	94,504	409,623	740	-	608,576
Other liabilities and provisions	89,075	470	873	660	1,267	1,451	93,796
Equity	-	-	-	-	-	2,258,437	2,258,437
Total liabilities and shareholders' equity	9,801,124	1,048,995	1,164,761	3,806,014	7,749,715	2,259,888	25,830,497
Net assets (liabilities) before off balance sheet items	(5,371,541)	892,073	1,603,163	(77,557)	4,279,908	(1,326,046)	-
Off balance sheet items (net)	1,824,484	277,415	513,128	367,722	721,370	596,064	4,300,183
Net assets (liabilities)	(7,196,025)	614,658	1,090,035	(445,279)	3,558,538	(1,922,110)	(4,300,183)

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

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Total assets	5,583,189	1,878,400	3,012,819	3,924,874	9,652,699	642,864	24,694,845
Total liabilities and shareholders' equity	11,313,672	655,683	913,459	1,169,550	8,705,483	1,936,998	24,694,845
Off balance sheet items (net)	1,523,272	338,162	528,034	655,414	1,890,108	6,199	4,941,189
Net assets (liabilities)	(7,253,755)	884,555	1,571,326	2,099,910	(942,892)	(1,300,333)	(4,941,189)

NOTE 42 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY (LTL 000s) (CONTINUED)

The Group's liquidity analysis as of 31 December 2008:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Assets							
Cash in hand	497,629	-	-	-	-	-	497,629
Balances with the Central Banks	729,273	-	-	-	-	-	729,273
Government securities – available for sale, loans and receivables and trading	36,885	20,093	10,796	43,825	1,804,591	-	1,916,190
Derivative financial instruments	8,390	3,537	2,916	26,761	73,188	-	114,792
Loans to credit and financial institutions and due from banks, net	851,884	5,200	9,843	27	500	2,790	870,244
Loans to customers, net	2,041,004	1,796,404	2,532,910	3,352,541	10,043,263	514,173	20,280,295
Finance lease receivable, net	319,644	304,114	545,690	1,670,024	1,336,356	47,714	4,223,542
Investment securities – available for sale and trading	2,393	7,431	19,724	3,702	2,205	280,201	315,656
Investment securities – held to maturity	-	-	-	-	12,989	-	12,989
Intangible fixed assets (less amortisation)	-	-	-	-	-	240,238	240,238
Tangible fixed assets (less depreciation)	-	-	-	-	-	72,548	72,548
Other assets, net	108,314	10,571	12,343	28,999	1,185	90,227	251,639
Total assets	4,595,416	2,147,350	3,134,222	5,125,879	13,274,277	1,247,891	29,525,035
Liabilities and shareholders' equity							
Amounts owed to the Central Banks	24	-	-	-	-	-	24
Amounts owed to credit and financial institutions	952,048	167,874	804,211	4,737,461	8,495,016	-	15,156,610
Derivative financial instruments	43,570	4,256	8,165	30,466	206,836	-	293,293
Deposits from the public	8,713,070	937,412	486,077	60,716	5,734	-	10,203,009
Subordinated loans	9,305	-	-	-	593,882	-	603,187
Debt securities in issue	60,870	42,839	94,504	408,840	740	-	607,793
Liabilities in life insurance operations	4,777	1,899	8,636	4	13,754	190,849	219,919
Other liabilities and provisions	120,793	7,668	8,397	7,438	238,390	(185,058)	197,628
Equity	-	-	-	-	-	2,243,572	2,243,572
Total liabilities and shareholders' equity	9,904,457	1,161,948	1,409,990	5,244,925	9,554,352	2,249,363	29,525,035
Net assets (liabilities) before off balance sheet items	(5,309,041)	985,402	1,724,232	(119,046)	3,719,925	(1,001,472)	-
Off balance sheet items (net)	1,788,006	284,700	788,917	350,669	502,980	596,064	4,311,336
Net assets (liabilities)	(7,097,047)	700,702	935,315	(469,715)	3,216,945	(1,597,536)	(4,311,336)

As of 31 December 2007

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Total assets	5,516,884	1,957,257	3,154,369	5,394,650	10,931,214	1,034,369	27,988,743
Total liabilities and shareholders' equity	11,367,125	674,281	998,660	1,570,184	10,970,562	2,407,931	27,988,743
Off balance sheet items (net)	1,409,950	362,055	854,378	655,625	1,890,108	6,199	5,178,315
Net assets (liabilities)	(7,260,191)	920,921	1,301,331	3,168,841	(1,929,456)	(1,379,761)	(5,178,315)

Liquidity ratio	**The Group**		**The Bank**	
	2008	**2007**	**2008**	**2007**
Total current assets	4,825,282	5,149,926	4,405,659	5,103,004
Total current liabilities	11,289,874	11,741,961	11,299,475	11,927,885
Liquidity ratio	42.74%	43.86%	38.99%	42.78%

As of 31 December 2008 the Bank's and the Group's liquidity ratio exceeded the statutory minimum required by the Bank of Lithuania (30 percent).

NOTE 42 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY (LTL 000s) (CONTINUED)

Tables above show contractual/actual maturities. When managing liquidity, ALCO estimates expected maturities based on historical evidence (e.g. in respect of current deposits from public). Based on this data, also taking into account liquidity reserve which is available from the Parent (credit line facility), liquidity is manageable within the 12 months from the balance sheet date.

NOTE 43 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; 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 – seven. 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 Bank and Group for the years ended 31 December 2008:

	The Group	**The Bank**
Tier 1 capital	2,210,483	2,166,169
Tier 2 capital	593,882	593,882
Less intangible assets, deductible investments, IRB provision shortfall	(419,632)	(410,300)
Risk weighted assets	22,608,575	19,432,850
of which risk weighted assets due to transitional capital requirements	4,290,975	3,827,775
Capital adequacy ratio before transitional capital requirements according to Basel II requirements as of 31 December 2008	**13.02%**	**15.06%**
Capital adequacy ratio according to Basel II requirements as of 31 December 2008	**10.55%**	**12.09%**

The table below summarises the components of capital adequacy calculation and the ratios of the Bank and Group for the years ended 31 December 2007:

	The Group	**The Bank**
Tier 1 capital	1,450,659	1,406,488
Tier 2 capital	792,650	776,510
Less intangible assets and deductible investments	(184,947)	(208,075)
Risk weighted assets	23,313,571	20,053,371
Capital adequacy ratio according to Basel I requirements as of 31 December 2007	**8.83%**	**9.85%**

NOTE 44 NET FOREIGN CURRENCY POSITION (LTL 000s)

The following table presents the equivalent amount in thousands of LTL of the net position of assets and liabilities denominated in currencies other than LTL and EUR as of 31 December 2008:

The Group		Currency	Rates	The Bank	
Position	Percentage of capital			Position	Percentage of capital
309,187	12.97	EUR	3.4528	306,987	13.06
(11,414)	(0.48)	U.S. Dollars (USD)	2.4707	(12,265)	(0.52)
19	-	Canadian Dollars (CAD)	1.9864	19	-
1,715	0.07	Russian Rubles (RUB)	0.08333	1,715	0.07
(91)	-	Estonian Crone (EEK)	0.22067	(91)	-
4,404	0.18	The remaining long positions	N/A	4,096	0.17
(117)	-	The remaining short positions	N/A	(2,766)	(0.12)
315,326	13.22	Open short position	N/A	312,798	13.31

As of 31 December 2007:

The Group		Currency	Rates	The Bank	
Position	Percentage of capital			Position	Percentage of capital
(43,805)	(2.13)	U.S. Dollars (USD)	2.3572	(48,823)	(2.47)
188	0.01	Canadian Dollars (CAD)	2.4026	188	(0.01)
889	0.04	Russian Rubles (RUB)	0.0961	889	0.05
1,154	0.06	Estonian Crone (EEK)	0.22067	1,122	0.06
5,846	0.28	The remaining long positions	N/A	2,854	0.14
(1,147)	(0.05)	The remaining short positions	N/A	(1,712)	(0.09)
(44,952)	2.18	Open short position	N/A	(50,535)	(2.56)

Based on requirements of the Bank of Lithuania, starting from 1 December 2004 to 1 January 2008, EUR currency position was not included when calculating foreign currency open position.

As of 31 December 2008 the Group complied with the foreign currency open position requirements set forth by the Bank of Lithuania.

NOTE 45 INTEREST RATE RISK MANAGEMENT (LTL 000s)

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

	2008	2007
Interest rate sensitivity		
Effect to net interest income (ΔNII)	42.1	42.6
Effect to the market value of shareholders equity (delta 1%)	54.4	60.5
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Group)	19.1	27.4
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Bank)	21.6	26.8

Despite business volumes increased during 2008, sensitivity to interest rate change decreased due to effective short term (up to 1 year) interest rate risk management. The Bank performs the interest rate management on the Group via provision of financing for its subsidiaries, and uses derivatives.

NOTE 45 INTEREST RATE RISK MANAGEMENT (LTL 000s) (CONTINUED)

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

The Group			The Bank	
2008	2007		2008	2007
17,790	7,184	Interest rate risk (stand-alone)	17,992	5,982
53	60	Foreign exchange risk (stand-alone)	53	60
1,646	1,247	Equity price risk (stand-alone)	1,646	1,247
(1,591)	(1,200)	Diversification effect	(1,465)	(1,146)
17,898	**7,291**	**Total**	**18,226**	**6,143**

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

VaR of trading book is not separable from general VaR portfolios, as changed trading book definition in 2008, therefore data for 2008 and 2007 are not comparable.

In 2008 significant increase in market risk VaR due to significantly increased market parameters' (interest rate, share prices, currency rate) and financial means flexibility, due to deterioration in markets.

The table below provides the Bank's interest rate gap analysis as of 31 December 2008:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	16,880,691	720,890	3,541,164	21,142,745
Debt securities	80,559	43,725	1,759,937	1,884,221
Interbank deposits and net loans	294,399	-	-	294,399
Other assets	-	-	-	-
Off balance sheet assets	3,269,449	2,663,592	1,774,458	7,707,499
Total interest rate sensitive assets	20,525,098	3,428,207	7,075,559	31,028,864
Liabilities				
Term deposits	4,986,507	60,716	5,733	5,052,956
Interbank deposits and loans	7,917,163	1,042,746	2,741,300	11,701,209
Other liabilities	185,151	383,215	737	569,103
Off balance sheet liabilities	1,880,289	2,330,768	3,162,384	7,373,441
Total interest rate sensitive liabilities	14,969,110	3,817,445	5,910,154	24,696,709
Gap	**5,555,988**	**(389,238)**	**1,165,405**	**6,332,155**
Assets, non sensitive to interest rate				2,509,132
Liabilities and equity, non sensitive to interest rate				8,507,229

The table below provides the Bank's interest rate gap analysis as of 31 December 2007:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	14,687,059	571,062	2,464,025	17,722,146
Debt securities	425,319	143,141	1,684,695	2,253,155
Interbank deposits and net loans	1,856,400	70,175	12,577	1,939,152
Other assets	11,242	8,812	7,485	27,539
Off balance sheet assets	2,805,890	1,080,102	755,565	4,641,557
Total interest rate sensitive assets	19,785,910	1,873,292	4,924,347	26,583,549
Liabilities				
Term deposits	3,674,679	67,370	6,771	3,748,820
Interbank deposits and loans	7,545,775	252,054	2,037,152	9,834,981
Other liabilities	282,949	551,493	88,178	922,620
Off balance sheet liabilities	879,884	1,114,274	2,181,271	4,175,429
Total interest rate sensitive liabilities	12,383,287	1,985,191	4,313,372	18,681,850
Gap	**7,402,623**	**(111,899)**	**610,975**	**7,901,699**
Assets, non sensitive to interest rate				2,752,853
Liabilities and equity, non sensitive to interest rate				10,188,424

NOTE 45 INTEREST RATE RISK MANAGEMENT (LTL 000s) (CONTINUED)

The table below provides the Group's interest rate gap analysis as of 31 December 2008:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	16,075,158	665,890	3,496,164	20,237,212
Finance lease receivable, net	3,887,836	228,297	91,342	4,207,475
Debt securities	97,339	47,724	1,776,735	1,921,798
Interbank deposits and net loans	294,399	-	-	294,399
Other assets	-	-	-	-
Off balance sheet assets	3,269,449	2,663,592	1,774,458	7,707,499
Total interest rate sensitive assets	23,624,181	3,605,503	7,138,699	34,368,383
Liabilities				
Term deposits	4,966,940	60,716	5,733	5,033,389
Interbank deposits and loans	10,990,155	1,042,746	3,052,052	15,084,953
Other liabilities	185,151	382,432	737	568,320
Off balance sheet liabilities	1,880,289	2,330,768	3,162,384	7,373,441
Total interest rate sensitive liabilities	18,022,535	3,816,662	6,220,906	28,060,103
Gap	**5,601,646**	**(211,159)**	**917,793**	**6,308,280**
Assets, non sensitive to interest rate				2,864,151
Liabilities and equity, non sensitive to interest rate				8,838,373

The table below provides the Group's interest rate gap analysis as of 31 December 2007:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	14,690,058	571,062	2,464,025	17,725,145
Finance lease receivable, net	3,629,311	188,236	99,624	3,917,171
Debt securities	433,139	153,521	1,695,551	2,282,211
Interbank deposits and net loans	801,277	434	12,577	814,288
Other assets	11,242	8,812	7,485	27,539
Off balance sheet assets	2,805,890	1,080,102	755,565	4,641,557
Total interest rate sensitive assets	22,370,917	2,002,167	5,034,827	29,407,911
Liabilities				
Term deposits	3,674,679	67,370	6,771	3,748,820
Interbank deposits and loans	10,273,032	252,054	2,037,152	12,562,238
Other liabilities	281,599	551,493	87,333	920,425
Off balance sheet liabilities	879,884	1,114,274	2,181,271	4,175,429
Total interest rate sensitive liabilities	15,109,194	1,985,191	4,312,527	21,406,912
Gap	**7,261,723**	**16,976**	**722,300**	**8,000,999**
Assets, non sensitive to interest rate				3,222,389
Liabilities and equity, non sensitive to interest rate				10,757,260

NOTE 46 COMPLIANCE WITH REGULATORY REQUIREMENTS

As of 31 December 2008 both the Bank and the Group were in compliance with the maximum lending to one customer, large exposure, related party lending, investment and open foreign currency position limits established by the Central Banks. During the year neither Bank nor the Group received any sanctions from the Bank of Lithuania.

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

Income Statement of the Group excluding venture capital entity
for the year ended 31 December 2008 (LTL 000s)

	2008	2007
Interest income	1,639,268	1,233,041
Interest expenses	(987,382)	(655,691)
Net interest income	651,886	577,350
Provisions for loan impairment	(151,185)	(31,654)
Provisions for lease portfolio and other doubtful leasing assets	(104,094)	(6,811)
Provisions for guarantees	(1,378)	(1,084)
Other provisions	7	(1,065)
	(256,650)	(40,614)
Net interest income after provisions	395,236	536,736
Net service charges and other income	198,447	206,750
Net gain on sale non – current asset held for disposal	-	39,430
Net gain on disposal of subsidiaries	-	55,521
Net gain on equity investments	(84,371)	27,572
Net gain on operations with debt securities and financial instruments	(35,836)	(19,576)
Net foreign exchange gain	90,928	90,836
Net insurance premium revenue	144,311	93,562
Gross insurance expenses	(35,649)	(88,090)
Net life insurance income	108,662	5,472
Staff costs	(175,338)	(169,032)
Other administrative expenses	(193,557)	(166,846)
	(368,895)	(335,878)
Profit before income tax	304,171	606,863
Income tax	(40,666)	(89,269)
Net income	263,505	517,594
Attributable to:		
Equity holders of the parent	263,505	517,594
Minority interest	-	-
	263,505	517,594
Earnings per share, attributable to equity holders of the parent (LTL)	17.06	33.52
Diluted earnings per share, attributable to equity holders of the parent (LTL)	17.06	33.52

NOTE 46 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Balance sheet of the of the Group excluding venture capital entity as of 31 December 2008 (LTL 000s)

	2008	2007
Assets		
Cash in hand	497,629	460,494
Balances with the Central Banks	729,273	1,261,469
Due from banks, net	830,593	978,270
Government securities – available for sale	63,612	2,060,853
Financial assets at fair value through profit or loss	369,233	594,860
Derivative financial instruments	114,792	340,182
Loans to credit and financial institutions, net	39,651	30,254
Loans to customers, net	20,287,969	17,750,245
Government securities - loans and receivables	1,750,534	-
Finance lease receivable, net	4,223,542	3,928,138
Investment securities – available for sale	18,468	27,704
Investment securities – held to maturity	12,989	12,493
Investments in subsidiaries	28,500	25,000
Intangible fixed assets	240,238	184,947
Tangible fixed assets	64,993	76,331
Assets under operating lease	7,547	12,149
Non-current assets held for disposal	25,411	-
Income tax receivables	8,955	-
Deferred tax asset	15,307	635
Other assets, net	200,916	251,598
Total assets	29,530,152	27,995,622
Liabilities		
Amounts owed to the Central Banks	24	25
Amounts owed to credit and financial institutions	15,156,610	12,545,769
Derivative financial instruments	293,293	393,431
Deposits from the public	10,208,909	10,560,254
Liabilities in life insurance operations	219,919	258,367
Liabilities to investment contract holders	45,296	136,052
Accrued expenses and deferred income	51,293	69,078
Income tax payable	3,203	59,806
Subordinated loans	603,187	654,008
Debt securities in issue	607,793	873,247
Deferred tax liabilities	403	1,045
Other liabilities and provisions	97,322	440,028
Total liabilities	27,287,252	25,991,110
Equity		
Equity attributable to equity holder of the parent		
Paid in capital	1,034,575	1,034,575
Reserve capital	1,034	1,034
Financial assets revaluation reserve	(32,559)	(7,442)
Legal reserves	76,508	34,363
General and other reserves	9,338	9,338
Net income for the period and retained earnings	1,154,004	932,644
	2,242,900	2,004,512
Minority interest	-	-
Total equity	2,242,900	2,004,512
Total liabilities and equity	29,530,152	27,995,622

NOTE 46 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Changes in Equity of the Group excluding venture capital entity for the year ended 31 December 2008 (LTL 000s)

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Translation reserve	Legal reserve	General and other reserves	Retained earnings	Minority interest	Total
31 December 2007	1,034,575	-	1,034	(7,442)	-	34,363	9,338	932,644	-	2,004,512
Net change in available for sale investments, net of deffered tax	-	-	-	(26,616)	-	-	-	-	-	(26,616)
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	-	1,499	-	-	-	-	-	1,499
Net income for the period	-	-	-	-	-	-	-	263,505		263,505
Net income recognized directly in equity	-	-	-	*(25,117)*	-	-	-	*263,505*	-	*238,388*
Transfer to reserves	-	-	-	-	-	42,145	-	(42,145)	-	-
31 December 2008	1,034,575	-	1,034	(32,559)	-	76,508	9,338	1,154,004	-	2,242,900

NOTE 46 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Cash Flows of the Group excluding venture capital entity
for the year ended 31 December 2008 (LTL 000s)

	2008	2007
Cash from operating activities		
Interest income received	1 574 277	1 202 429
Interest expenses paid	(939 199)	(487 865)
Net foreign currency exchange gain	67 377	59 945
Unrealised translation gain	23 551	30 891
Net gain (loss) in securities trading and financial instruments	(35 836)	(19 576)
Net commission and service income	198 447	214 562
Life insurance operations	(20 665)	158 305
Staff costs	(175 338)	(169 032)
Other payments	(245 582)	(228 169)
Net cash from operating activities before change in operating assets	447 032	761 490
Changes in operating assets		
Increase in compulsory balances with the Central Banks	216 994	39 448
Decrease (increase) in due from banks and loans to credit and financial institutions	659 551	(660 638)
Increase in loans to customers	(2 666 771)	(4 450 110)
Increase of finance lease receivable	(399 498)	(1 228 281)
(Increase) decrease in other current assets	34 493	(3 509)
Net increase in operating assets	(2 155 231)	(6 303 090)
Changes in operating liabilities		
Increase (decrease) in deposits from the public	(613 749)	907 497
Increase (decrease) in accrued expenses, deferred income and other liabilities	(145 060)	144 257
Net increase in operating liabilities	(758 809)	1 051 754
Net cash (to) from operating activities before income tax	(2 467 008)	(4 489 846)
Income tax paid	(109 332)	(37 731)
Net cash (to) from operating activities after income tax	(2 576 340)	(4 527 577)
Cash flow from (to) investing activities		
Purchase of tangible and intangible fixed assets, net	(95 583)	(48 043)
Decrease in investment in Government securities – available for sale	372 088	(317 156)
Investment in subsidiaries, net of cash acquired	(3 500)	81 224
Increase of investment in other securities and derivatives	251 974	(73 299)
Net gain on sale non-current asset held for disposal	-	110 969
Cash used in (to) investing activities	524 979	(246 305)
Cash flow from (to) financing activities		
Increase (decrease) in amounts owed to the Central Banks	(1)	(15)
Increase (decrease) in amounts owed to credit and financial institutions	2 610 841	4 597 951
Decrease (increase) in subordinated loans	(50 821)	160 346
Debt securities issued, net	(265 454)	(21 698)
Cash received (used in) financing activities	2 294 565	4 736 584
Net increase (decrease) in cash	243 204	(37 298)
Cash 1 January	1 290 448	1 327 746
Cash 31 December	1 533 652	1 290 448
Specified as follows:		
Balance available for withdrawal with the Central Banks	277 457	592 659
Overnight deposits	186 856	31 211
Cash on hand	497 629	460 494
Current accounts with other banks	571 710	206 084
	1 533 652	1 290 448

NOTE 47 RELATED PARTIES (LTL 000s)

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

The Group			Interest rate %	The Bank	
2008	2007			2008	2007
704,882	704,090	Outstanding loan amount at year end	0.05-18	704,882	704,090
21,474	329,760	Positive replacement values (HFT) at year end	-	21,474	329,760
3,688	7,926	Other assets at year end	-	3,180	2,311
15,113,574	12,487,700	Outstanding deposit amount at year end	0.25-6.17	11,682,073	9,731,148
273,814	288,654	Other liabilities at year end	-	273,801	288,400
5,609	4,902	Unused granted overdraft facilities	-	5,609	4,902
10,195	11,854	Guarantees issued at year end	-	10,195	11,854
73,207	108,651	Guarantees received at year end	-	61,854	108,651
41,483	23,832	Interest income	-	41,483	23,832
(656,843)	(425,872)	Interest expense	-	(502,404)	(337,230)
(2,873)	270	Other services received and cost incurred from SEB group, net	-	(9,668)	(5,790)
-	508	Consideration received on subsidiaries' sale to SEB group companies	-	-	-

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

The Group			Interest rate %	The Bank	
2008	2007			2008	2007
663,449	626,490	Outstanding loan amount at year end	0.05-4.5	663,449	626,490
21,474	329,760	Positive replacement values (HFT) at year end	-	21,474	329,760
814	2,560	Other assets at year end	-	478	163
15,109,065	12,464,120	Outstanding deposit amount at year end	0.25-6.17	11,677,564	9,707,568
269,385	275,615	Other liabilities at year end	-	269,385	275,615
5,609	-	Unused granted overdraft facilities	-	5,609	-
7,737	7,424	Guarantees issued at year end	-	7,737	7,424
61,854	108,651	Guarantees received at year end	-	61,854	108,651
39,203	19,537	Interest income	-	39,203	19,537
(656,319)	(425,527)	Interest expense	-	(501,880)	(336,885)
2,277	10,061	Other services received and cost incurred from SEB group, net	-	(3,552)	(2,892)

NOTE 47 RELATED PARTIES (LTL 000s) (CONTINUED)

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

	Interest rate %	The Bank 2008	The Bank 2007
Off-balance sheet commitments as of 31 December:			
Agreements to grant loans	-	376,412	232,150
Guarantees issued	-	12,025	3,544
Letters of credit issued	-	1,736	3,875
Outstanding loan amounts at year end:			
UAB SEB Lizingas	0.16-10.43	897,679	1,124,864
UAB SEB Enskilda	-	5	-
UAB SEB Venture Capital	6.89	14,000	1
Outstanding deposit amounts at year end:			
UAB SEB Venture Capital	0.4	2,399	14,562
UAB SEB Investicijų Valdymas	0.25-0.4	13,882	13,370
UAB SEB Enskilda	0.25-6.25	13,443	4,293
UAB SEB Gyvybės Draudimas	0.25-9.5	11,545	15,312
UAB Litectus	0.4	3,501	-
UAB SEB Lizingas	0.2-0.4	295	231
Other assets at year end	-	2,481	5,997
Other liabilities at year end	-	-	-
Issued debt securities purchased by the Bank at year end	-	-	-
Issued debt securities purchased by subsidiaries	-	783	2,195
Interest income	-	48,269	49,283
Interest expense	-	(500)	(1,083)
Dividend income	-	58,591	45,772
Other services received and cost incurred from subsidiaries, net	-	16,257	14,777

During 2008 the Bank disbursed LTL 1,369,762 thousand (2007: LTL 928,949 thousand) to UAB SEB Lizingas according lending agreements.

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

The Group 2008	The Group 2007		Interest rate %	The Bank 2008	The Bank 2007
5,336	-	Outstanding loan amount at year end	6.33-12	46	-
3	2,250	Outstanding deposit amount at year end	0.00-5	3	2,250
68	114	Agreements to grant loans and unused granted overdraft facilities	-	68	114
141	-	Interest income	-	-	-
(8)	-	Interest expense	-	(8)	-

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 2008	The Group 2007		Interest rate %	The Bank 2008	The Bank 2007
9,079	7,634	Outstanding loan amount at year end	3	9,079	7,634
149	101	Finance lease receivable	3	-	-
29	61	Other assets	-	29	61
1,781	886	Outstanding deposit amount at year end	0.25-11	1,781	886
-	1,114	Commitments to grant loans at year end	-	-	1,114
3,195	2,764	Payroll	-	3,195	2,764
1,576	1,278	Bonuses	-	1,576	1,278
1,484	1,252	Social security	-	1,484	1,252
254	181	Interest income	-	251	181
(62)	(20)	Interest expense	-	(62)	(20)

NOTE 48 APPROPRIATION OF PROFIT AND TRANSFERS OF RESERVES (LTL 000s)

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

	Legal reserve	Net income for the period	Retained earnings
31 December 2008	**74,639**	**347,728**	**822,516**
Profit appropriation to Legal reserve	58,512	(58,512)	-
Profit appropriation to Retained earnings	-	(289,216)	289,216
31 December 2008 after appropriation of profit and transfers to reserves	**133,151**	**-**	**1,111,732**

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

NOTE 49 OFF BALANCE SHEET ITEMS (LTL 000s)

The Group			The Bank	
2008	**2007**		**2008**	**2007**
3,680,068	4,613,854	Agreements to grant loans	4,056,480	4,846,003
665,796	662,638	Guarantees issued	677,821	666,183
112,330	81,180	Letters of credit issued	114,066	85,055
389,301	473,150	Commitments to purchase assets and other commitments	-	-
4,025	8,440	Avalised bills of exchange	4,025	8,440
127,996	4,349	Commitments to sell securities	127,996	4,349
224	257	Customs guarantees collateralised by deposits	224	257

Legal proceedings. There were a few legal proceedings outstanding against the Group at 31 December 2008. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

As of 31 December 2008 rental off balance sheet commitments of the Group amounted to LTL 200,612 thousand (2007: LTL 177,111 thousand) and rental off balance sheet commitments of the Bank amounted to LTL 198,753 thousand (2007: LTL 174,640 thousand). All non-cancellable commitments fall into the period within ten years.

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

The Group			The Bank	
2008	**2007**		**2008**	**2007**
2,145	2,642	Short term deferred income (up to 1 year)	-	-
2,677	4,125	Long term deferred income (up to 5 years)	-	-
4,822	6,767	**Total future lease and rental payments under non-cancellable operating lease**	-	-

NOTE 50 POST BALANCE SHEET EVENTS

After the balance sheet date the Bank successfully completed 4 debt securities issues with the nominal value of LTL 3,815 thousand.

The Bank started three debt securities issues after 31 December 2008, which have not been completed yet. As of 8 March 2009 they amounted to LTL 574 thousand and were accounted for in 'other liabilities and provisions' line in the balance sheet.

After the balance sheet date three debt securities issue with the nominal value of LTL 164,627 thousand were redeemed.

As of 8 March 2009 liabilities to parent bank (loans and deposits) amounted to: the Bank - LTL 11,742,662 thousand, the Group – LTL 15,096,195 thousand.