

**AB SAMPO BANKAS**

MANAGEMENT REPORT TO THE SHAREHOLDER

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDER OF AB SAMPO BANKAS**

We have reviewed attached consolidated management report of AB Sampo Bankas (further "the Bank") and Bank's together with its subsidiary UAB Sampo Banko Lizingas (further "the Group") for the year ended 31 December 2006. The report is the responsibility of the Bank's management. Our responsibility is to present report on the management report based on our review.

We have audited the financial statements of AB Sampo Bankas and consolidated financial statements of the Bank together with its subsidiary UAB Sampo Banko Lizingas (the "Group") for the year ended 31 December 2006 in accordance with International Standards of Auditing. On 26 January 2007 we have expressed unqualified opinion on these financial statements.

Our review of the management report for the year ended 31 December 2006 was limited primarily to analytical procedures and discussions with the Bank's personnel. The scope of review provides less assurance than the audit for the purpose of expressing an audit opinion on this report. Accordingly, we do not express an audit opinion.

The management report for the year ended 31 December 2006 includes operating plans and forecasts. The actual results in the future might be different from the current management's estimations as events and circumstances might not occur as expected.

Based on our review, nothing has come to our attention that would cause us to believe that the consolidated management report for the year ended 31 December 2006 includes financial information that has not been accurately derived, in all material respects, from the Bank's and Group's consolidated financial statements.

UAB ERNST & YOUNG BALTIC  
Audit company's licence No. 000514

Jonas Akelis  
Auditor's licence  
No. 000003

The review was completed on 26 January 2007.

**AB SAMPO Bank and AB SAMPO Bank together with subsidiary**  
**Consolidated management report**  
January 26, 2007

**Overview**

Total assets of SAMPO bankas (thereinafter the “Bank”) grew almost 40% during 2006, loan portfolio became 1.5 times higher than one year ago in 2005. Net profit for 2006 was almost 3 times higher than one year ago.

Major task for SAMPO bankas and its subsidiary SAMPO banko lizingas (thereinafter the “Subsidiary”) in 2006 was to optimize clients’ service in the way that would speed up decision making and that would improve client relationship management. We put a lot of efforts to improve service quality so that it resulted in higher profits and higher operating income. We are glad to state that our goals were achieved.

In November 2006 SAMPO bank Plc. together with its subsidiaries in Baltic countries and Russia were acquired by Danske Bank. Danske Bank is leading financial institution in North Europe. Acquisition of SAMPO bank strengthened Danske Bank’s position in Scandinavian and Baltic countries.

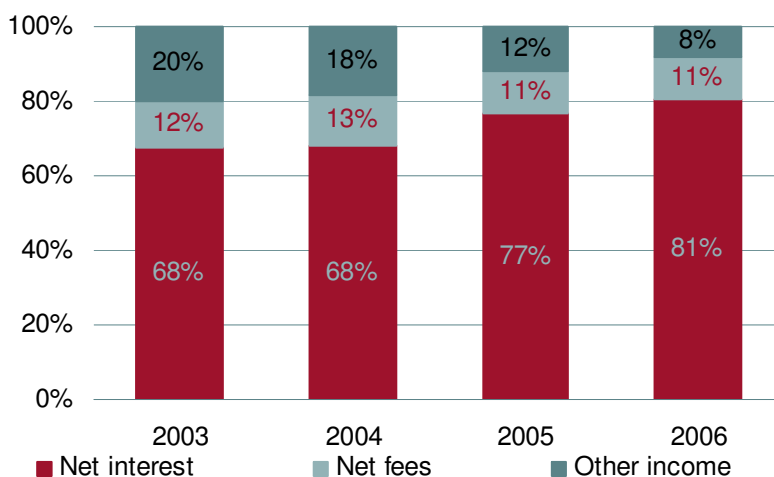
**Income and expenses**

Net interest income amounted to LTL 69.2 million in 2006 and increased almost 51% comparing to 2005. This figure was 5.9% higher than budgeted result of LTL 65.4 million. During 2006 the Bank has also earned LTL 9.7 million fees showing the similar growth as net interest income. Operating expenses grew 29% in 2006 and were LTL 6.8 million (10%) lower than planned.

Total profit of SAMPO bankas together with its subsidiary company for the year 2006 was LTL 23.5 million instead of budgeted LTL 13.6 million. Higher profits came as a result of efficient cost control and good profitability ratios. Operating expenses were kept below the budget because of improved procedures for services’ and goods’ acquisition.

Net interest remained the main income source in 2006. Operating lease portfolio decreased in 2006 thus resulting in lower income on operating lease. Sinking operating lease portfolio was offset by growing financial lease portfolio.

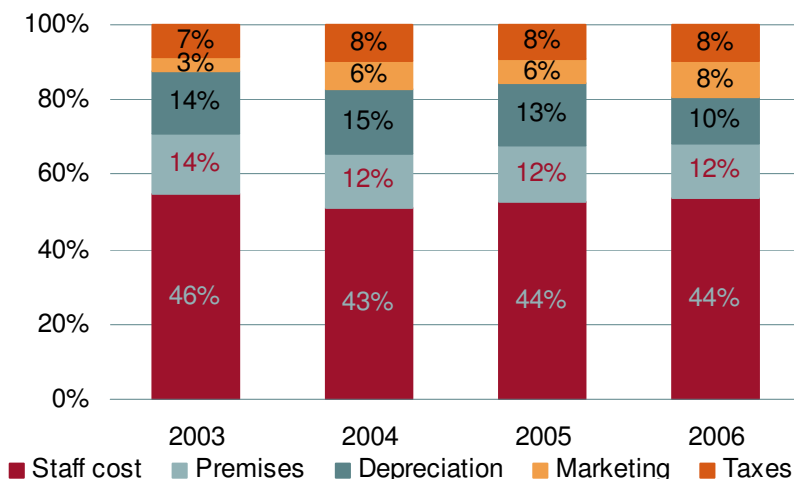
**Income structure**



Structure of operating expenses remained similar to previous periods: Staff cost made 44% of all operating expenses, Premises and Office equipment – 12%, Depreciation and Amortisation – 10%. VAT recovery rate is very low for banks operating in Lithuania, resulting in high tax expenses incurred.

Cost control will be further strengthened and processes will be further automated in 2007 in order to keep operating expenses at low level.

**Expense structure**



### Assets and liabilities

Interest earning assets increased to 92% of total assets as of 31 December 2006 compared to 89% year ago. Loans to private individuals grew faster than loans to companies in 2006 (same in 2005), which resulted in total balance of loans to private individuals overcoming lending to companies as of 31 December 2006.

Loan portfolio issued by SAMPO bank reached LTL 3.4 billion as of 31 December 2006 and was 48.2% higher than one year ago (LTL 2.3 billion). The main driver for loan portfolio increase was lending to private individuals that grew up to LTL 1.8 billion showing 58% growth (LTL 1.1 billion as of 31 December 2005). Housing loans grew from LTL 968.1 million up to LTL 1.5 billion (58.7%). Significant growth came as a result of SAMPO bank's strategy in approaching its clients: customer tailored integrated solutions, fast decision making, preparation of obligatory documentation, compensation of housing expenses, competitive margins, etc.

Consumer lending grew 51.8% in 2006 and amounted to LTL 234.3 million as of 31 December 2006 (LTL 154.3 million as of 31 December 2005).

As of 31 December 2006 the Bank had LTL 1.7 billion outstanding Loans to companies, which was 39.1% higher than one year ago (LTL 1.2 billion). Total companies' deposits amounted to LTL 607.9 million as of reporting date (32.1% growth). Deposits from private individuals grew 77.4% reaching LTL 486.3 million. Deposits were not the only savings product offered to the clients in 2006 – many clients also actively exercised investment products last year.

### Market

State economy and lending growth thrust further increase of the entire banking sector of Lithuania in 2006.

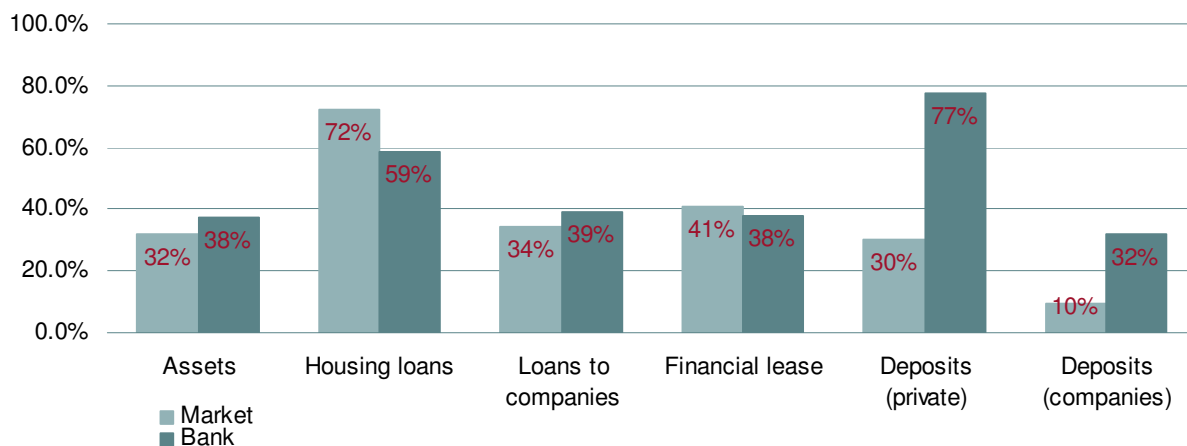
Increasing volumes of operations and growing income determined improvement of profitability and efficiency ratios in banking sector. The main source for increased profitability of the banks was income on lending products.

Lending portfolio of SAMPO bank grew faster than deposits in 2006 and therefore the Bank had to borrow lacking funds from other financial institutions. This is not unique situation for SAMPO bank, as the entire market was in the same position in 2006. Loan portfolios grew faster than deposits in Lithuania causing the banks to borrow deficit funds in international markets, usually from parent banks. In order to attract funds from the local market, Lithuanian banks offered favourable conditions on term deposits for their clients, number of new saving products were also introduced in 2006. Demand for investment or index linked deposits increased significantly in 2006.

Loans to customers usually make significant portion of total assets of commercial banks. Loans to private individuals are still growing at rapid speeds in the market (also in SAMPO banks). On the other hand, total debt per private individual remains low comparing to EU average and it is therefore expected that loans to private individuals will be further growing in the nearest future.

SAMPO banks had 7.2% of market share in terms of total assets as of 31 December 2006 and became 4-th largest bank in Lithuania. The chart below represents comparison between SAMPO banks growth and market growth.

**Growth of the Bank comparing to market's growth**



## Employees

As of 31 December 2006 SAMPO banks employed 431 employees. Number of personnel increased 35% during the year. Leasing company employed 43 employees as of 31 December 2006 (48% growth). During 2006 over 300 employees participated in trainings and seminars, total investment into human resources exceeded LTL 500 thousand last year.

One of the strategic objectives of the Bank is the quality of client service and therefore specific training programmes were introduced in 2006. Sales practice standards were introduced as a tool to communicate management's expectations to sales personnel. All sales related employees participated in client retention and service trainings. Special coaching programme was developed and introduced to the middle management. The purpose of programme is to ensure that middle management keeps sales personnel updated regarding sales procedures and techniques.

Trainings were also given to new employees of SAMPO banks thus ensuring effective integration into sales organisation, conceiving professional skills and position requirements.

Total number of employees is expected to increase 20% in 2007. New staff, staff trainings and result orientated compensation schemes will keep professional team of the Bank at a high level.

## **Investments**

As of 31 December the Bank held 100% of share capital of fully owned subsidiary SAMPO banko lizingas. The Subsidiary is engaged in provision of leasing services to both private individuals and companies. Head Office of the subsidiary is located in Gelezinio Vilko str. 18A, Vilnius.

Share capital of the Subsidiary amounted to LTL 4 million as of 31 December 2006 and 2005. Shareholder's equity was LTL 3.4 million as of 31 December 2006 and LTL 3.2 million as of 31 December 2005. The subsidiary company earned LTL 0.2 million profits in 2006. No other subsidiaries were founded in 2006.

The Bank did not hold its own shares as of 31 December 2006 or 2005.

## **Branches**

As of 31 December 2006 there were 6 branches and 14 client service outlets in the structure of the Bank. Further development of client service network as well as improvement of service quality are the main targets for 2007.

## **Financial reporting and risk management**

The financial statements of SAMPO bankas have been prepared in accordance with International Financial Reporting Standards (IFRS). Financial statements for the years 2006 and 2005 were audited by Ernst & Young Baltic. Auditors expressed unqualified audit opinions for both years.

Explanations to financial reporting, risk management procedures and objectives are presented as notes to the annual financial statements.

## **Future perspectives**

The management plans the further expansion of the Bank in 2007. New branches, innovative financial solutions to the clients and other financial services will be key drivers that move the Bank towards customer. We believe that operational efficiency will further improve and the growth of the Bank will go on at the same speed in 2007.

The experience and banking traditions that Danske Bank brought to Sampo group will give strong potential to improve client service and to offer new products. We believe that benefiting client is the core success factor in banking business.

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We are satisfied with the 2006 results and therefore express sincere gratitude to those who supported achievement of our goals – to clients, staff, management of the Bank and the Shareholder.

Yours truly,

Chief Executive Officer  
AB SAMPO bankas

Gintautas Galvanauskas