AB SEB BANK

INDEPENDENT AUDITOR'S REPORT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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Translation note

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

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

Independent Auditor's Report

To the shareholder of AB SEB Bank

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial statements') of AB SEB Bank ('the Bank') and its subsidiaries (collectively 'the Group') set out on pages 17–96 which comprise the stand alone and consolidated statement of financial position as of 31 December 2010 and the stand alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the accompanying Financial statements give a true and fair view of the financial position of the Bank and the Group as of 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2010 set out on pages 5 - 16, including its Appendix 1 set out on pages 97 - 124 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 2010.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Director

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
14 March 2011

AB SEB BANK
CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2010

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

The Report has been drawn up for the year 2010. All amounts are presented as of 31 December 2010, unless otherwise stated.

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

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

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

At the end of the reporting period, the AB SEB Bank Group in Lithuania (hereinafter the 'Group') consisted of four subsidiary companies: UAB SEB Enskilda, UAB SEB Investicijų Valdymas, AB SEB Lizingas and UAB SEB Venture Capital.

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

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

Name	UAB SEB Enskilda
Type of core activities	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 form	Private limited company
Registration date and place	27 March 1993, Vilnius
Company code	221949450
Registered address	Gedimino av. 12, LT-01103 Vilnius
Office address	Islandijos str. 1, LT-01401 Vilnius
Telephone	(8 5) 2681 400
Fax	(8 5) 2681 499
E-mail address	mail@enskilda.lt
Website address	www.enskilda.lt

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

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

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

As of 31 December 2010, the Bank had 39 effective agreements with UAB FMĮ Orion Securities, a brokerage firm (legal entity code 122033915, legal address A. Tumėno str. 4, 9 floor, LT-01109 Vilnius) and 47 agreements with AB bank Finasta (legal entity code 301502699, legal address Maironio str. 11, LT-01124, 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 2010, none of the securities issues of AB SEB Bank were listed in the debt securities list of Nasdaq OMX Vilnius exchange.

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*

In 2010, SEB Bank Group Lithuania provided a full range of banking services to private individual and corporate customers as well as financial institutions. The Bank Group in Lithuania consisted of SEB Bank and four companies: SEB Enskilda, SEB Investicijų Valdymas, SEB Lizingas and SEB Venture Capital.

In 2010, with the aim to optimise the activities of international financial group SEB, SEB Bank assigned the shares in its specialised real estate management company Litectus to Warehold B.V., the SEB Group's real estate management company, and those in SEB Gyvybės Draudimas – to SEB Trygg Liv Holding AB, the SEB Group's life insurance company.

In 2010, SEB Bank's major shareholder Skandinaviska Enskilda Banken AB (publ) concluded the mandatory minority shares squeeze-out process which was aimed at acquiring all of the bank's shares, and today SEB Bank Lithuania is wholly owned by Skandinaviska Enskilda Banken AB (publ).

In 2010, the economic situation in Lithuania remained complicated, however, the economic recovery trends enabled SEB Bank Group Lithuania to operate at profit during the second half of 2010 and decrease the provisions made. Net loss sustained by SEB Bank in 2010 was LTL 12.1 million (EUR 3.5 million), and that by SEB Bank Group was LTL 18.0 million (EUR 5.2 million). Net loss sustained by the bank in 2009 was LTL 1,546.2 million (EUR 447.8 million), and that by the bank group was LTL 1,427.5 million (EUR 413.4 million).

Net profit earned by SEB Bank Group over 4Q 2010 was LTL 58.1 million, and that during July – December was LTL 142.9 million. The total positive year 2010 result was adjusted by a write-off of part of the costs for new core banking platform project, the largest one in the bank in the course of three recent years, i.e. LTL 71.8 million.

SEB Bank's year 2010 result includes also profit from sales obtained in 1Q 2010 after assignment of shares in the bank's subsidiary companies SEB Gyvybės Draudimas and Litectus to the SEB Group. The bank group's year 2010 operating result includes Litectus' operating result of January through February. The operating result of SEB Gyvybės Draudimas is not included.

In 2010, the country's macroeconomic situation as well as the standing of the bank's borrowers stabilised, therefore, there was improvement in the quality of the bank's credit portfolio. SEB Bank Group Lithuania made LTL 153.9 million provisions for credit losses (LTL 1,733.4 million in 2009, yoy). SEB Bank's provisions to credit portfolio ratio at the close of 2010 was 8.29 per cent (9.54 per cent in 2009, yoy).

The country's improving economic situation and the bank's operating results were the reason in 2010 for a change in the ratings assigned to SEB Bank by international ratings agency Fitch Ratings – from negative long-term credit outlook to stable, leaving unchanged the bank's long-term liabilities rating A, short-term liabilities rating F1, individual rating D/E and support rating 1.

In 2010, the bank continued strengthening its capital base – its major shareholder Skandinaviska Enskilda Banken AB (publ) (SEB) covered part of SEB Bank Lithuania losses by an additional contribution of LTL 345 million (EUR 100 million). Also, an issue of subordinated demand bonds worth EUR 100 million (LTL 345.28 million) was placed with the aim to strengthen the bank's capital base.

As of 31 December 2010, SEB Bank's equity was LTL 1.8 billion. At the end of 2010, SEB Bank's capital adequacy ratio calculated according to the requirements of the Bank of Lithuania was 16.43 per cent. SEB Bank's end-of-the-year liquidity level was 35.88 per cent.

In 2010, the bank group's operating costs decreased by 11.1 per cent and were LTL 309.08 million (LTL 347.73 million in 2009, yoy).

The Group's year 2010 net interest income shrank by LTL 60.36 million, or by 18.4 per cent, and was LTL 268.43 million (LTL 328.79 million in 2009, yoy).

Net commission income increased by LTL 13.46 million, or by 8.6 per cent, and was LTL 170.44 million.

In 2010, SEB Bank Group's assets decreased by LTL 4.4 billion, or by 16.3 per cent, and as at 31 December 2010 made LTL 22.6 billion (LTL 27.0 billion at the end of 2009).

At the end of 2010, SEB Bank Group had the largest credit and leasing portfolio, its net value being LTL 17.4 billion, and over a year it decreased by 11.8 per cent (at the end of 2009 it was LTL 19.7 billion).

During the year 2010, the scope of lending decreased further as it did in 2009. The bank's key focus was on its credit portfolio quality and support to problem customers.

Alongside with gradual improvement in economy there was relevant decrease in banking operational risk, and the customer investment portfolio started increasing. Over a year, an increase in SEB Bank Group's total savings and investment portfolio, including deposits and issued debt securities, life insurance and investment as well as pension funds, was 0.9 per cent – from LTL 12.1 billion to LTL 12.2 billion (excluding portfolio of SEB Gyvybės Draudimas). Over a year, there was almost no change in the Group's deposit portfolio – it decreased from LTL 9.7 billion to LTL 9.6 billion. Portfolio of issued debt securities decreased by 5 per cent, or by LTL 34.66 million. As of 31 December 2010, SEB Bank had issued 133 bond issues, worth LTL 1,274 million in total. As at 31 December 2010, according to the nominal value of bonds registered with the central securities depository of Lithuania, the bank's local market share was 67.4 per cent.

In 2010, SEB Bank was the market leader in terms of the total number of securities held in its custody in Lithuania. As of 31 December 2010, the market value of securities held in the custody of SEB Bank was LTL 19.28 billion, and the bank's relevant market share was 30.80 per cent.

Over a year, the number of registered users of SEB Bank Internet banking system increased by 6.3 per cent – from 890 thousand up to 946 thousand. Over a year, the number of payment transactions via the Internet increased by 12 per cent.

In 2010, the bank had 57 customer service subdivisions all over Lithuania. Over a year, SEB Bank increased its ATM network up to 348 ATMs. At present, customers of SEB Bank can use an ATM network that is the largest in Lithuania and includes ATMs of SEB Bank and DnB Nord Bank, i.e. 524 ATMs in 80 cities and towns.

As of 31 December 2010, the bank group (SEB Bank, SEB Enskilda, SEB Investicijų Valdymas, SEB Lizingas, SEB Venture Capital) had 1788 employees (the actual number of employees, excluding those on child care vacation).

In 2010, there were changes in the senior management of SEB Bank: member of the management board Vytautas Sinius was replaced by Virginijus Doveika.

In 2010, SEB Bank successfully rolled out and launched its new core banking system for providing banking services and for the management of its business processes. With the launch of the new core banking system, changes occurred in the functionality of some of the bank's services, and a new procedure for providing them was introduced. The new system opens up for the bank new development perspectives: it enables much more flexibility for a launch of various novelties meant for customers and to accelerate the bank's internal processes.

In 2010, SEB Bank together with DnB Nord Bank placed a seven-year maturity Government bonds in the Euro worth LTL 259 million.

In 2010, SEB Bank Group won significant global awards: Global Finance awarded SEB Bank with the title of the best Internet banking service provider to corporate customers in Lithuania, Metasite Business Solutions – with the title of the best Internet banking service provider in Lithuania. In 2010, Euromoney selected SEB Bank as the best financer of real estate projects, Global Finance awarded it with the title of the best FX trade bank in Lithuania. ACQ Finance selected SEB Enskilda to be Lithuania's best financial adviser, investment bank of the year, adviser of the year in M&A, and adviser of the year in global M&A transactions. SEB was given The Member of the Year in the Baltic Countries title as the most active member of the Baltic stock exchanges – Nasdaq OMX. SEB got the highest grade among custody providers by Global Custodian. The year 2010 survey by business community daily Verslo Žinios and career portal cv.lt 2010 showed that SEB Bank is the most attractive employer in Lithuania.

During the period of the economic downturn, SEB Bank aimed to be the most trusted bank in post-crisis Lithuania. In the period when Lithuania was struggling though the economic decline, SEB Bank, being a socially responsible entity, tried to do its utmost in order that private individual customers facing problems and cooperating with the bank would survive the downturn easier and retain their only home. The bank tried to find a compromise if a customer with a mortgage loan had difficulties to repay it, and the family's home was the only one and the customer was willingly cooperating with the bank. During 2010, the bank did not take over any real estate from such customers by finding a way out: by postponing payment of instalments, by extending loan maturity or offering other alternatives. In 2010, the bank made amendments to the terms of agreements with companies and private individuals worth LTL 2.15 billion in total.

In 2010, SEB Bank Group continued its pro-active social activities, especially in the sphere of education for children and entrepreneurship incentive encouragement. Together with its partners SEB Bank continued its long-term social programme 'Teach first!' aimed at attracting the best higher-school graduates to become teachers after graduation at the same time developing their personal leadership skills for their further career in education or any other sphere. Together with television company TV3 the bank organised the Dreams Come True campaign in support to kids in children homes, continued its eighteen-year-long cooperation with the Lithuanian Children Foundation, supported other educational projects, provided conditions to its employees to allocate some of their time for mentorship activities and for other programmes organised by Mentor Lietuva Association, allocated support funds for various sports events.

The SEB Bank Group manages its risks in a centralised way. The main types of risks managed by the bank are credit, liquidity, market risks, which include 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.
In 2009, the Bank met all the prudential requirements of the Bank of Lithuania.

Issuer risk. The Bank's obligations against 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 and technological as well as social factors.

Credit risk. The Group assumes credit risk, i.e., the risk of another counterparty being unable to duly meet its obligations against the Bank.

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 credit 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 in total, taking into account its total portfolio. Assessment of the portfolio of homogeneous loan groups with similar risk characteristics, i.e. natural persons' mortgage loans, consumer loans, payment card account overdraft limits, also, loans to small enterprises, is performed. Special provisions for homogenous loans are formed by applying statistical methodology based on historical data on any defaults of the borrowers and sustained losses within the corresponding homogeneous loan group. Individually assessed borrowers are assigned to a relevant risk class, based on which special provisions requirement is established. The Group classifies its individually assessed borrowers based on 16 risk classes.

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

Applied credit portfolio concentration risk limits are as follows:

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

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

	31.12.2008*	**31.12.2009****	**31.12.2010****
Individually assessed client credits, which value has impaired, gross amount (impaired loans), in LTL'000	634,915	2,586,697	2,936,736
Client credit portfolio (without special provisions), in LTL'000	20,599,799	18,653,351	17,144,657
Ratio (in per cent)	**3.08 %**	**13.87 %**	**17.13 %**

* 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) according to the IFRS:

	31.12.2008	**31.12.2009**	**31.12.2010**
Impairment losses on loans to customers (special provisions)	311,830	1,459,262	1,463,927
Impairment losses on loans to credit and financial institutions as of year end (special provisions)	-	391,048	40
Balance of impairment losses on loans to credit and financial institutions as of year end (special provisions)	311,830	1,850,310	1,463,967
Special provisions to loan portfolio ratio	**1.45 %**	**9.54 %**	**8.29 %**

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.

Foreign exchange risk exposure is defined by two measures: single open foreign currency position against the 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 adheres to the open currency position limits established by the Bank of Lithuania: 1) maximum open single currency position may not exceed 15 per cent of equity; 2) maximum total open position may not exceed 25 per cent of equity.

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

The Group	**31.12.2008**	**31.12.2009**	**31.12.2010**
Maximum open single currency position	12.97 %	103.53 %	83.87 %
Maximum aggregate open currency position	13.22 %	1.78 %	0.36 %

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

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

Ratio	**Bank**		
	31.12.2008	**31.12.2009**	**31.12.2010**
Liquidity ratio (at least 30%)	38.99 %	60.31 %	35.88 %

In 2007, the Bank of Lithuania eliminated the Group’s liquidity report.

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

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

The Bank has developed the several operational risk management tools: Operational risk policy, ORSA (Operational Risk Self Assessment) RTSA (Rogue Trading Self Assessment) instructions, Insurance policy, Contingency plans, mechanism of Internal Controls, New Product Approval Process to minimize the operational risks in all bank units and activities.

Bank has implemented SEB Group wide IT solution called ORMIS designed to identify, analyze, report and mitigate the risk. Operational risk self assessments (ORSA, RTSA and internal controls) 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.

Two other systems – NAMIS and LDRPS – help with managing operational risk in respectively areas like New Product Approval and Business Continuity Planning.

In addition to that there is Operational risk committee which ensures cooperation between Risk managers (1st line-of-defense) and 2nd line-of-defense units (audit, risk control, security, compliance, legal). Board members every quarter are introduced with report about new identified risks and follow-up on earlier identified issues.

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

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

Capital adequacy. Lithuanian banks are required to maintain capital adequacy ratio (capital base compared to risk-weighted assets). During the internal capital adequacy assessment process for 2010 the target capital adequacy ratio was set at close to 11 per cent.

On 26 July 2007, the Board of the Bank of Lithuania allowed SEB Bank to include into its Tier II 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.

The SEB Group strengthened SEB Bank’s capital base in October and December 2009 and March 2010, covering losses through additional contributions of shareholders.

On March 2010 the Board of the Bank of Lithuania granted a permission to SEB Bank to include the issue of undated subordinated notes worth EUR 100,000,000 (LTL 345,280,000) into the bank's Tier II capital. The issue of undated subordinated notes has been acquired by SEB Bank’s parent bank Skandinaviska Enskilda Banken AB (publ).

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

Group			**Ratio**	**Bank**		
2008	**2009**	**2010**		**2008**	**2009**	**2010**
10.55 %	11.58 %	15.95 %	Capital adequacy ratio	12.09 %	12.94 %	16.43 %

Securities. As of 31 December 2010, the number of effective issues of securities of SEB Bank was 133, their total nominal value being LTL 1,274 million.

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

Volume and changes of the Bank Group activity are partially reflected by the data below based on the financial position and income statements prepared in accordance with the International Financial Reporting Standards (IFRS):

LTL million	31 December 2008	31 December 2009	31 December 2010
Loans	20,320	17,205	15,725
Investment	2,245	1,847	1,884
Lease receivables	4,224	2,504	1,695
Deposits	10,203	9,670	9,643
Amounts owed to credit and financial institutions	15,157	13,651	9,296
Equity	2,244	1,525	1,859
Assets	29,525	26,952	22,558

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

LTL million	31 December 2008	31 December 2009	31 December 2010
Net interest income (loss) after impairment losses	395.5	(1,404.6)	114.5
Other income before operating expenses, net	163.9	210.3	250.4
Result before operating expenses	559.4	(1,194.3)	364.9
Operating expenses	(369.8)	(347.7)	(309)
Net life insurance income	108.7	-	-
Impairment losses on intangible assets	-	(169.6)	(71.8)
Profit (loss) before profit tax from continues activities	298.3	(1,711.6)	(15.9)
Net profit (loss) from continues activities	257.8	(1,445.5)	(17.8)

Main ratios of the bank activities are included in the below table:

Group			Ratio	Bank		
2008	2009	2010		2008	2009	2010
10.55%	11.58%	15.95 %	Capital adequacy ratio	12.09%	12.94%	16.43 %
0.89%	(4.99%)	(0.07 %)	Return on Assets	1.38%	(6.12%)	(0.05 %)
11.82%	(76.06%)	(1.04 %)	Return on Equity	16.23%	(79.55%)	(0.73 %)
n. a.*	n. a.*	n. a.*	Bank liquidity ratio	38.99%	60.31%	35.88 %
16.69	(93.61)	(1.15)	Earnings per share, LTL	22.52	(100.13)	(0.78)
145.30	98.75	120.40	Book value per share, LTL	146.26	92.03	114.06

* The Bank of Lithuania revoked the liquidity report requirement for the Group in 2007.

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

All key financial data is included in the consolidated financial statements of the Bank.

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

On **12 January 2011,** the Bank announced that Aušra Matusevičienė, the member of the management board of SEB Bank, to take new position in SEB Group. She will be responsible for Baltic IT and Operations, as well as for coordination and development of SEB branches in Riga and Vilnius in SEB Group Operations and IT. She will take her new position from March 15, 2011. Accordingly, A. Matusevičienė will no longer be a member of the management board of SEB Bank from the said date.

On **4 February 2011,** the Bank announced that According to preliminary data, unaudited net loss suffered over the year 2010 by SEB Bank is LTL 12,1 million (EUR 3,5million) and by SEB Bank Group - LTL 18,0 million (EUR 5,2 million). The result has been calculated in accordance with the requirements set by the acts of the Bank of Lithuania and legal acts of the Republic of Lithuania. Over the year 2009, audited net loss suffered by the Bank totaled LTL 1 546,2 million (EUR 447,8 million) and by the Group - LTL 1 427,5 million (EUR 413,43 million). The result of the year 2010 of SEB Bank includes sale profit resulting from the transfer of shares of the Bank's subsidiary companies SEB Gyvybės Draudimas and Litectus to SEB Group concluded in the first quarter of 2010. The result of the year 2010 of SEB Bank Group includes the result of Litectus in January and February; the result of SEB Gyvybės Draudimas is not included.

On **3 March 2011,** the Bank announced that has transferred 100 % of the shares of its subsidiary company SEB Enskilda UAB, company code 221949450, address Gedimino av. 12, Vilnius, to the parent company of SEB Bank Skandinaviska Enskilda Banken AB (publ). Taking in consideration that SEB Enskila UAB has a licence for securities brokerage and according article 10 of the Law on Markets of Financial Instruments of Republic of Lithuania prior to the transfer of shares the approval of Securities Commission of Republic of Lithuania has been received. The shares of SEB Enskilda (Latvia) and SEB Enskilda (Estonia) were transferred simultaneously. The reason of the share transfer is the intention to integrate all investment banking services in the Merchant Banking division of Skandinaviska Enskilda Banken AB (publ). It is expected that integration will improve uniform handling and coordination of the activities in the international SEB group. This change will not affect the clients of SEB Enskilda UAB.

9. Issuer Group activity plans and forecasts

The main focus of the SEB Bank Group in Lithuania will remain customer excellence. By offering modern services in a convenient and professional way, trying to satisfy each customer's needs, the Group will further implement its goal of becoming the most trusted bank in after crisis world.

The SEB Bank's Group seeking to implement the above vision and taking into consideration the SEB Group's goals will follow the below main trends:

- Risk management. In this area the bank has performed a significant number of actions: improved current processes and procedures; organized risk assessment training for client executives. In future, the bank plans pay greater attention to this field, by using accumulated experience and by giving an opportunity for its employees to continuously improve.

- Operational efficiency restoration. Seeking to retain operational efficiency and competitive edge, the bank will focus on the below major areas:

    - prevention of income downward trend by using target marketing: clearly define competitive advantages in various client segments and prepare growth plans,

    - precise assessment of costs necessary for implementation of selected goals.

- Customer loyalty improvement. The bank's goal in this area is to become the Home bank (the main bank) for its clients by retaining the existing customer base and to attracting new customers:

    - by offering flexible solutions to customers facing financial difficulties that may survive during the decline with the bank's assistance,

    - by developing new, attractive concepts, services and products for successfully operating customers so that they feel the bank's attention.

- The best employer's image retention. The bank will continue creating the environment of trust and respect in which employees may improve their skills and use every possibility.

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

10. Financial risk management objectives

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

11. Data on the acquisition of own shares by the Issuer

During the year 2010, SEB Bank did not acquire or redeem its own shares. The Bank's subsidiary companies have not acquired the Bank's shares. During the reporting period, the Bank and its subsidiary companies did not redeem or sell their own shares.

12. Information on the Issuer branches and representative offices

As of 31 December 2010, the Bank had a customer service network of 57 branch offices (7 branches and 50 branch offices) all over Lithuania.

13. The Issuer's authorised capital

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

Type of shares	ISIN code	Number of shares	Nominal value (LTL)	Total nominal value	Share within authorized capital (in 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 there are no restrictions assigned for transfer of securities.

14. Shareholders

On 19 November 2010, the squeeze-out procedure of SEB Bank's shares was finalized. 100 % of shares of SEB Bank is owned by company Skandinaviska Enskilda Banken AB (publ), registered in the Kingdom of Sweden.

15. Employees

As of 31 December 2010, the SEB Bank Group in Lithuania (AB SEB Bank, UAB SEB Enskilda, UAB SEB Investicijų Valdymas, AB SEB Lizingas and UAB SEB Venture Capital), had 2,078 regular employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave), or 5.5 percent less comparing to the year 2009, when the Group had 2,198 employees. As of 31 December 2010, the number of actually working employees (excluding those on maternity/paternity leave) was 1,788, i. e. by 8.6 per cent less than at the end of 2009, when the number of the Group's actually working employees was 1,957. The number of employees has decreased as UAB SEB Gyvybės Draudimas and UAB Litectus employees are not included in the calculation since both subsidiaries were sold to International SEB Group during the year 2010.

The number of SEB Bank regular employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave) alone decreased by 1 per cent, from 2,029 to 2,009, and the number of SEB Bank's actually working employees (excluding those on maternity/paternity leave) was 1,730, i. e. 4.5 per cent less than in 2009, when their number was 1,811.

During the reporting period, the average number of actually working bank's employees (excluding those on maternity/paternity leave) was 1,748 employees (2009: 1,940).

	The Bank			The Group		
	31 12 2008	31 12 2009	31 12 2010	31 12 2008	31 12 2009	31 12 2010
Regular employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave)	2,147	2,029	2,009	2,379	2,198	2,078
Actually working employees (excluding those on maternity/paternity leave)	1,995	1,811	1,730	2,209	1,957	1,788

Tables below contain information on the Bank's employees' educational background and average monthly wages (before tax).

	Number of employees			Average monthly wages (in LTL)		
	31 12 2008	31 12 2009	31 12 2010	31 12 2008	31 12 2009	31 12 2010
Senior management staff	301	279	275	9,619	10,245	9,921
Specialists	1,835	1,741	1,726	4,357	3,569	3,341
Service staff	10	9	8	1,920	1,994	2,069
In total	**2,146**	**2,029**	**2,009**	**-**	**-**	**-**

	Number of employees	University education		College education		Secondary education	
		number	per cent	number	per cent	number	per cent
Senior management staff	275	263	95.6	6	2.18	6	2.18
Specialists	1,726	1,313	76.07	121	7.01	292	16.92
Service staff	8	4	50.0	1	12.05	3	37.5
In total	**2,009**	**1,580**	**78.65**	**128**	**6.37**	**301**	**14.98**

Policy for the establishment of variable remuneration for the Bank and the bank group employees

In 2010, the remuneration policy approved by SEB Bank's Supervisory Council on 30 April 2010 was abided by within SEB Bank.

According to said policy, the variable remuneration package consists of extras and bonuses, the amount of which depends on an employee's individual input into the results of his/her subdivision and the entire group. The aim of the variable remuneration system is to motivate employees towards achieving the group's set long-term objectives and rewarding them for the results achieved.

Motivation of employees of the Bank's branches and sub-branches by quarterly extras for the results of sales by a relevant sub-branch or a relevant individual employee is regulated by resolutions of the Management Board of SEB Bank and by the performance and development requirements for the branches and employees.

With the aim to acknowledge each employee's input towards the achievement of the group's long-term objectives, annual bonuses may be paid for positive results, however, only in case if the bank's financial standing is sustainable. The amount of an employee's bonus depends on the achievement of the group's overall objectives, on the performance of the subdivision in which the employee works and on the annual performance and development appraisal results. For an objective appraisal of an employee's activities and for his/her fair relevant reward, it is not only the objectives achieved that are taken into account, but also the employee's attitude and ethics. Appraisal during the annual PDD includes appraisal whether the employee's personal competence is in line with the requirements for his/her function, whether the employee in his/her activities adheres to SEB values, ethics, etc. The bonus is not a guaranteed payment.

It is aimed to determine the variable remuneration taking relevant risk level into account. In case employees who can assume significant risk in the name of the group and have a major effect on decision-taking, 60 % of their salary is deferred for a three-year period. The group may refrain from paying part or all of the variable salary, if the activities of a relevant person, business subdivision or the group are at a loss.

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 exclusive 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 domicile, ii) the amount 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 obtained.

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 Management Board of the Bank (hereinafter referred to as the 'Management 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 Management Board members and revokes them from their positions, supervises over the activities of the Management Board and the President and has other rights and duties attributed to its competence by acts of law of the Republic of Lithuania and Articles of Association of the bank.

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

THE BANK SUPERVISORY COUNCIL (as of 31 December 2010)

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

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

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

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

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

The term office of all Supervisory Council Members expires on 29 October 2013.

THE BANK MANAGEMENT BOARD (31 December 2010)

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

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

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

VIRGINIJUS DOVEIKA
Vice President and Head of Retail Banking Division of SEB Bank. Elected to the Management Board as its member on 8 June 2010. Education: higher, specialisation – business administration. No shares of the Bank are hold by the Member.

AUŠRA MATUSEVIČIENĖ
Vice President and Head of Business Support Division and Chief Financial Officer of SEB Bank.
Member of the Management Board since 1 February 2006. Education: higher, specialisation – finances. No shares of the Bank are hold by the Member.

The term office of all Members of the Management Board expires on 4 February 2012.

CHIEF EXECUTIVE OFFICER

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

CHIEF FINANCIAL OFFICER

AUŠRA MATUSEVIČIENĖ – Vice President and Head of Business Support Division and Chief Financial Officer of SEB Bank. Member of the Management Board since 1 February 2006.

Information on disbursements to members of the Management Board during the reporting period is provided in the bale below.

	Amounts calculated over a year in connection with employment relations	Property assigned gratis	guarantees issued in the name of the company
Amounts calculated for all members of the Management Board (LTL'000), before taxes, in total of which:	**3,520**	**-**	**-**
amounts in connection with employment relations (LTL'000)	2,692	-	-
Annual bonus for the year 2009 (LTL'000)	-	-	-
Employer's social security contributions (LTL'000)	828	-	-
Other disbursements, including the employer's social security contributions (LTL'000):**	**1,241**	**-**	**-**
Per member of the Management Board on average (LTL'000) before taxes: *	**704**	**-**	**-**
Amounts in connection with employment relations (LTL'000)	538	-	-
Annual bonus for the previous year (LTL'000)	-	-	-
Employer's social security contributions (LTL'000)	166	-	-

* The bank Management Board consists of 5 members.
** Employment termination compensation and one-off payment due to new core banking system roll-out project implementation.

19. Significant arrangements, the Issuer being a party thereto, which arrangements, in case of any effective changes in the Issuer's controlling stake, would change or terminate

Such significant arrangements are envisaged under loan agreements; however, the contracting parties and relevant terms and conditions are deemed confidential information with regard to both the bank and other parties.

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

On 11 February 2010, the administration of SEB Bank and representatives of the bank employees signed a two-year collective bargaining agreement. The collective bargaining agreement regulates labour relations as well as terms and conditions, defines mutual obligations of the employer and the employees, additional incentive measures for the employees as well as other labour relations terms and conditions on which the employees and the employer have mutually agreed, for instance, on a sum-total working hours time, calculation of the employment record, additional vacations, etc. The collective bargaining agreement has been signed by and between the administration of SEB Bank and representative of the Labour Council with a two-year tenure. The Labour Council of SEB Bank consists of 15 employees of the bank elected by secret vote holding different positions at the bank. The collective bargaining agreement includes the terms and conditions of work and the aspects on which it may be directly agreed with the employer.

One of the main activities of the Labour Council is consultations with the Bank's management. During these activities members of the Labour Council were introduced with the new remuneration system for 2010, additional disbursements were discussed. The Labour Council periodically meets with the President of the Bank. During the meetings implementation of collective bargaining agreement, future changes, employees' questions and reviews are discussed.

21. Information on compliance with the Corporate Governance Code

SEB Bank in substance adheres to the recommendatory-character Corporate Governance Code on the management of companies listed by Vilnius Securities Exchange (see Annex 1).

22. Data on information in pubic domain

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

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

On **10 February 2010**, the Bank announced that, according to preliminary data, unaudited net loss suffered over the year 2009 by SEB Bank is LTL 1 546.2 million (EUR 447.8 million) and by SEB Bank Group – LTL 1 427.5 million (EUR 413.43 million). The result has been calculated in accordance with the requirements set by the acts of the Bank of Lithuania and legal acts of the Republic of Lithuania. Over the year 2008, audited net profit earned by the Bank totalled LTL 347.7 million (EUR 100.7 million) and by the group – LTL 257.8 million (EUR 74.7 million).

On **23 February 2010**, the Bank announced about the Annual General Meeting of Shareholders initiated and to be convened by the Board of SEB Bank on 25 March 2010.

On **26 February 2010**, SEB Bank has transferred 100 % of shares of its subsidiary company Litectus fully held by SEB Bank to company Warehold B.V., a member of the international SEB Group. Shares of the real estate management companies of the three SEB Baltic banks are assigned to Warehold B.V., which is fully owned by the SEB Group. This share acquisition is an internal optimization within SEB's Baltic operations in order to facilitate closer cooperation of real estate management activities at SEB Group level.

On **8 March, 2010** ratings agency Fitch Ratings changed SEB Bank's long-term issuer's default rating outlook from negative to stable whereas Bank's long-term issuer's default rating A, short-term issuer's default rating F1, individual rating D/E and support rating 1 remained unchanged.

On **15 March 2010** the Board of SEB Bank approved the draft decisions of the Annual General Meeting of the Shareholders of SEB Bank that will take place on 25 March 2010.

On **10 March 2010**, the Board of the Bank of Lithuania granted a permission to SEB Bank to include the issue of undated subordinated notes worth EUR 100,000,000 (LTL 345, 280,000) into the bank's Tier II capital. The issue of undated subordinated notes has been acquired by SEB Bank's parent bank Skandinaviska Enskilda Banken AB (publ).

On **25 March 2010**, at 10 a.m., on Gedimino 12, Vilnius, Room 511, an Annual General Meeting of Shareholders of SEB Bank (having registered office on Gedimino 12, LT-01103 Vilnius, company code 112021238) took place and decisions on all issues on the agenda were adopted: 1. Consolidated Annual Report of SEB Bank has been familiarized with; 2. Report of the auditor of SEB Bank has been heard; 3. Comments and Proposals of the Supervisory Council of SEB Bank have been heard; 4. Year 2009 Consolidated Financial Statements of SEB Bank were approved (enclosed); 5. Resolution was adopted to cover part of the losses of SEB Bank by additional contributions of shareholders in an amount no less than LTL 345,280,000 (EUR 100,000,000); 6. Distribution of the year 2009 losses of SEB Bank was approved (enclosed); 7. PricewaterhouseCoopers UAB was elected an audit company for checking SEB Bank's current-year and no more than 2 (two) further financial years' annual financial statements and President of SEB Bank was directed to execute an agreement with the audit company specifying terms and conditions for payment in consideration for its services; 8. Ted Tony Kylberg was elected to the Supervisory Council of SEB Bank as its Member until expiry of the tenure of the present Supervisory Council.

On **28 April 2010**, the Bank announced that according to preliminary data, unaudited net loss sustained over the first quarter of the year 2010 by SEB Bank is LTL 59,4 million (EUR 17,2 million) and that by SEB Bank Group is LTL 80,3 million (EUR 23,3 million). The result has been calculated in accordance with the requirements set by relevant acts of the Bank of Lithuania as well as legal acts of the Republic of Lithuania. Over the first quarter of the year 2009, unaudited net profit earned by the Bank totalled LTL 26.6 million (EUR 7.7 million) and that by the group – LTL 16.2 million (EUR 4.7 million). The result of the fist quarter of the year 2010 of the Bank includes sale profit resulting from transfer of shares of the Bank's subsidiary companies SEB Gyvybės Draudimas and Litectus to the SEB Group. The result of the fist quarter of the year 2010 of the SEB Bank Group includes the result of Litectus in January and February; the result of SEB Gyvybės Draudimas is not included.

On **8 June 2010**, the Supervisory Council of the SEB Bank resolved to accept the resignation from Vytautas Sinius from the Management Board of the SEB Bank and appointed a new Board member Virginijus Doveika. Virginijus Doveika will take his new position as member of the Management Board of the SEB Bank upon approval by the Bank of Lithuania.

On **13 July 2010,** the Bank announced that according to preliminary data, unaudited net loss suffered over the first half-year of 2010 by SEB Bank is LTL 77.0 million (EUR 22.3 million) and by SEB Bank Group – LTL 160.9 million (EUR 46.6 million). The result has been calculated in accordance with the requirements set by the acts of the Bank of Lithuania and legal acts of the Republic of Lithuania. Over the first half-year of 2009, audited net loss suffered by the Bank totalled LTL 168.5 million (EUR 48,8 million) and by the Group – LTL 224,9 million (EUR 65,1 million). The result of the first half-year of 2010 of the SEB Bank includes sale profit resulting from transfer of shares of the Bank's subsidiary companies SEB Gyvybės Draudimas and Litectus to SEB Group concluded in the first quarter of 2010. The result of the first half-year of 2010 of the SEB Bank Group includes the result of Litectus in January and February; the result of SEB Gyvybės Draudimas is not included.

On **28 October 2010,** the Bank announced that according to preliminary data, unaudited net loss suffered over the three quarters of 2010 by SEB Bank is LTL 112.1million (EUR 32.5 million) and by SEB Bank Group – LTL 76.1 million (EUR 22.0 million). The result has been calculated in accordance with the requirements set by the acts of the Bank of Lithuania and legal acts of the Republic of Lithuania. Over the three quarters of 2009, unaudited net loss suffered by the Bank totalled LTL 626.4 million (EUR 181.4 million) and by the Group – LTL 942.8 million (EUR 273.0 million). The result of the three quarters of 2010 of SEB Bank includes sale profit resulting from the transfer of shares of the Bank's subsidiary companies SEB Gyvybės Draudimas and Litectus to SEB Group concluded in the first quarter of 2010. The result of the three quarters of 2010 of SEB Bank Group includes the result of Litectus in January and February; the result of SEB Gyvybės Draudimas is not included.

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

Over the reporting period the bank also made 22 announcements of additional (as per Item 5 of Article 25 of the Law of the Republic of Lithuania on Securities) and 5 announcements of period information (as per Article 20 of the Law of the Republic of Lithuania on Securities).

President of SEB Bank .... Raimondas Kvedaras

Head of Business Support Division and Chief Financial Officer of SEB Bank .... Aušra Matusevičienė

Director of Finance Department of SEB Bank .... Saulius Salda

Vilnius
10 March 2011

AB SEB BANK

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010
(All amounts in LTL thousand unless otherwise stated)

The Group 2010	The Group 2009		Note	The Bank 2010	The Bank 2009
767,186	1,150,118	Interest income		692,681	1,039,925
(498,759)	(821,331)	Interest expenses		(459,219)	(734,983)
268,427	**328,787**	**Net interest income**	6	**233,462**	**304,942**
(119,346)	(1,161,949)	Impairment losses on loans	7	271,654	(1,551,449)
(41,350)	(552,477)	Impairment losses on lease portfolio	7	-	-
6,793	(17,010)	Provisions for guarantees		6,793	(17,010)
(2)	(1,922)	Other impairment losses		(1)	3
(153,905)	**(1,733,358)**	**Total impairment losses**		**278,446**	**(1,568,456)**
114,522	**(1,404,571)**	**Net interest income after impairment losses**		**511,908**	**(1,263,514)**
235,046	224,559	Fee and commission income	8	218,792	206,922
(64,605)	(67,581)	Fee and commission expenses	8	(62,365)	(64,512)
170,441	**156,978**	**Net fee and commission income**		**156,427**	**142,410**
(31,116)	(24,450)	Net gain (losses) on operations with debt securities and derivative financial instruments	10	(31,116)	(24,450)
2,788	9,741	Net gain (loss) on investment securities		3,061	10,720
-	(14,712)	Impairment loss on investment securities available for sale		-	(14,712)
30,137	-	Net gain on disposal of subsidiaries	25	58,238	-
-	-	Dividend income from subsidiaries	9	3,734	4,816
59,519	72,883	Net foreign exchange gain	11	59,490	73,592
18,633	9,858	Other income, net		16,102	6,549
79,961	**53,320**	**Net investment activities**		**109,509**	**56,515**
(131,201)	(156,954)	Staff costs	12	(122,909)	(144,247)
(177,874)	(190,777)	Other administrative expenses	13	(159,072)	(177,136)
55,849	**(1,542,004)**	**Operating (loss) profit**		**495,863**	**(1,385,972)**
(71,755)	(169,550)	Impairment loss on intangible assets	26	(71,755)	(169,550)
-	-	Impairment loss on investment in subsidiaries	25	(450,529)	(175,105)
(15,906)	**(1,711,554)**	**(Loss) Profit before income tax**		**(26,421)**	**(1,730,627)**
(1,900)	266,041	Income tax benefit (expenses)	14	14,363	184,442
(17,806)	**(1,445,513)**	**(Loss) Profit for the year from continuing operations**		**(12,058)**	**(1,546,185)**
(189)	18,058	(Loss) Profit for the year from discontinued operations		-	-
(17,995)	**(1,427,455)**	**Net (loss) profit for the year**		**(12,058)**	**(1,546,185)**
		Attributable to:			
(17,995)	(1,427,455)	Equity holders of the parent		(12,058)	(1,546,185)
(17,806)	*(1,445,513)*	*(Loss) Profit for the year from continuing operations*		*(12,058)*	*(1,546,185)*
(189)	*18,058*	*(Loss) Profit for the year from discontinued operations*	44	-	-
-	-	Non controlling interest		-	-
-	-	*(Loss) Profit for the year from continuing operations*		-	-
-	-	*(Loss) Profit for the year from discontinued operations*		-	-
(17,995)	(1,427,455)			(12,058)	(1,546,185)

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

The financial statements were approved by the Board of the Bank on 10 March 2011 and signed by:

R. Kvedaras
President

A. Matusevičienė
Head of Support Division, CFO

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010
(All amounts in LTL thousands unless otherwise stated)

The Group 2010	The Group 2009		Note	The Bank 2010	The Bank 2009
(17,995)	**(1,427,455)**	**Net (loss) income for the year**		**(12,058)**	**(1,546,185)**
		Other comprehensive income:			
3,956	**20,362**	Net gain on available for sale assets	36	**3,956**	**20,362**
3,956	*5,650*	*- Net gain, before taxes*		*3,956*	*5,650*
-	*14,712*	*- Impairment loss on investment in available for sale securities recognised in income statement, before taxes*	36	-	*14,712*
3,025	*2,937*	Amortisation of financial assets revaluation reserve of reclassified financial assets	36	3,025	2,937
(1,050)	*(5,521)*	Income tax relating to the components of other comprehensive income	14	(1,050)	(5,521)
5,931	**17,778**	**Total other comprehensive income**		**5,931**	**17,778**
(12,064)	**(1,409,677)**	**Total comprehensive income**		**(6,127)**	**(1,528,407)**

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

The financial statements were approved by the Board of the Bank on 10 March 2011 and signed by:

R. Kvedaras
President

A. Matusevičienė
Head of Support Division, CFO

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

The Group 2010	The Group 2009		Note	The Bank 2010	The Bank 2009
		Assets			
428,427	420,403	Cash on hand		428,427	420,403
527,258	384,981	Balances with the Central Bank	16	527,258	384,981
1,177,833	3,118,698	Due from banks, net	17	1,177,833	3,118,698
164,895	65,818	Government securities available for sale	18	164,272	65,194
75,058	48,203	Financial assets at fair value through profit and loss	19	45,733	19,203
233,911	153,483	Derivative financial instruments	20	233,911	153,483
55,399	20,069	Loans to credit and financial institutions, net of impairment losses	21	506,636	348,856
15,669,307	17,185,394	Loans to customers, net of impairment losses	7, 22	15,680,730	17,194,089
1,694,691	2,503,885	Finance lease receivable, net of impairment losses	23	-	-
		Investment securities:			
1,629,290	1,719,512	– loans and receivables	24	1,629,290	1,719,512
1,276	337	– available for sale	24	1,276	337
13,832	12,748	– held to maturity	24	13,832	12,748
-	-	Investments in subsidiaries	25	121,616	38,616
148,733	169,046	Intangible fixed assets	26	148,554	168,764
46,004	56,509	Property, plant and equipment	27	45,289	55,847
2,581	4,275	Assets under operating lease	28	-	-
47,623	67,201	Non-current assets held for sale	44	29	-
51,474	62,231	Investment property	29	1,535	1,599
273,661	277,245	Deferred tax asset	14	192,654	179,444
316,576	266,644	Other assets, net of impairment losses	30	109,387	156,991
22,557,829	**26,536,682**			**21,028,262**	**24,038,765**
-	415,635	Assets classified as held for sale and discontinued operations	44	-	13,825
22,557,829	**26,952,317**	**Total assets**		**21,028,262**	**24,052,590**
		Liabilities			
38	31	Amounts owed to the Central Bank		38	31
9,295,615	13,650,723	Amounts owed to credit and financial institutions	31	7,915,364	11,259,609
334,427	303,643	Derivative financial instruments	20	334,427	303,643
9,643,341	9,669,789	Deposits from public	32	9,644,674	9,673,732
29,873	44,029	Accrued expenses and deferred income	35	26,190	41,758
-	185	Income tax payable		-	-
597,172	597,195	Subordinated loans	33	597,172	597,195
663,177	697,841	Debt securities in issue	34	663,177	699,854
135,008	78,639	Other liabilities and provisions	35	85,968	55,738
20,698,651	**25,042,075**			**19,267,010**	**22,631,560**
-	385,347	Liabilities included in assets classified as held for sale and discontinued operations	44	-	-
20,698,651	**25,427,422**	**Total liabilities**		**19,267,010**	**22,631,560**
		Equity			
		Equity attributable to equity holder of the parent	36		
1,034,575	1,034,575	Share capital		1,034,575	1,034,575
1,034	1,034	Reserve capital		2,200	2,200
(8,850)	(14,781)	Financial assets revaluation reserve		(8,850)	(14,781)
165,425	135,160	Legal reserve		163,221	133,151
10,846	9,778	General and other reserves		10,846	9,778
656,148	359,129	Retained earnings		559,260	256,107
1,859,178	1,524,895			1,761,252	1,421,030
-	-	**Non controlling interest in equity**		-	-
1,859,178	**1,524,895**	**Total equity**		**1,761,252**	**1,421,030**
22,557,829	**26,952,317**	**Total liabilities and equity**		**21,028,262**	**24,052,590**

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

The financial statements were approved by the Board of the Bank on 10 March 2011 and signed by:

R. Kvedaras
President

A. Matusevičienė
Head of Support Division, CFO

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010
(All amounts in LTL thousands unless otherwise stated)

The Group	Share capital	Reserve capital	Financial assets revaluation reserve	Legal reserve	General and other reserves	Retained earnings	Total before noncontroling interest	Non controling interest	Total Equity
	Equity attributable to equity holder of the parent								
31 December 2008	**1,034,575**	**1,034**	**(32,559)**	**77,394**	**9,338**	**1,153,790**	**2,243,572**	**-**	**2,243,572**
Net change in available for sale investments, net of deferred tax	-	-	14,841	-	-	-	14,841	-	14,841
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	2,937	-	-	-	2,937	-	2,937
Net profit for the year	-	-	-	-	-	(1,427,455)	(1,427,455)	-	(1,427,455)
Total comprehensive income	-	-	*17,778*	-	-	*(1,427,455)*	*(1,409,677)*	-	*(1,409,677)*
Shareholder's contribution	-	-	-	-	-	690,560	690,560	-	690,560
Share-based compensation	-	-	-	-	440	-	440	-	440
Transfers to reserves	-	-	-	57,766	-	(57,766)	-	-	-
31 December 2009	**1,034,575**	**1,034**	**(14,781)**	**135,160**	**9,778**	**359,129**	**1,524,895**	**-**	**1,524,895**
Net change in available for sale investments, net of deferred tax	-	-	2,906	-	-	-	2,906	-	2,906
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	3,025	-	-	-	3,025	-	3,025
Net profit for the year	-	-	-	-	-	(17,995)	(17,995)	-	(17,995)
Total comprehensive income	-	-	*5,931*	-	-	*(17,995)*	*(12,064)*	-	*(12,064)*
Shareholder's contribution	-	-	-	-	-	345,280	345,280	-	345,280
Share-based compensation	-	-	-	-	1,068	-	1,068	-	1,068
Transfers to reserves	-	-	-	30,265	-	(30,265)	-	-	-
31 December 2010	**1,034,575**	**1,034**	**(8,850)**	**165,425**	**10,846**	**656,148**	**1,859,178**	**-**	**1,859,178**

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

The financial statements were approved by the Board of the Bank on 10 March 2011 and signed by:

R. Kvedaras
President

A. Matusevičienė
Head of Support Division, CFO

AB SEB BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010
(All amounts in LTL thousands unless otherwise stated)

The Bank	Share capital	Reserve capital	Financial assets revaluation reserve	Legal reserve	General and other reserves	Retained earnings	Total Equity
31 December 2008	**1,034,575**	**2,200**	**(32,559)**	**74,639**	**9,338**	**1,170,244**	**2,258,437**
Net change in available for sale investments, net of deferred tax	-	-	14,841	-	-	-	14,841
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	2,937	-	-	-	2,937
Net profit for the year	-	-	-	-	-	(1,546,185)	(1,546,185)
Total comprehensive income	-	-	*17,778*	-	-	*(1,546,185)*	*(1,528,407)*
Shareholder's contribution	-	-	-	-	-	*690,560*	*690,560*
Share-based compensation	-	-	-	-	*440*	-	*440*
Transfers to reserves	-	-	-	58,512	-	(58,512)	-
31 December 2009	**1,034,575**	**2,200**	**(14,781)**	**133,151**	**9,778**	**256,107**	**1,421,030**
Net change in available for sale investments, net of deferred tax	-	-	2,906	-	-	-	2,906
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	3,025	-	-	-	3,025
Net profit for the year	-	-	-	-	-	(12,058)	(12,058)
Total comprehensive income	-	-	*5,931*	-	-	*(12,058)*	*(6,127)*
Shareholder's contribution	-	-	-	-	-	345,280	345,280
Share-based compensation	-	-	-	-	1,068	-	1,068
Transfers to reserves	-	-	-	30,070	-	(30,070)	-
31 December 2010	**1,034,575**	**2,200**	**(8,850)**	**163,221**	**10,846**	**559,260**	**1,761,252**

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

The financial statements were approved by the Board of the Bank on 10 March 2011 and signed by:

R. Kvedaras
President

A. Matusevičienė
Head of Support Division, CFO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

(All amounts in LTL thousand unless otherwise stated)

The Group 2010	The Group 2009		Note	The Bank 2010	The Bank 2009
		Cash from operating activities			
774,280	1,134,206	Interest income received		698,308	1,049,800
(555,293)	(900,562)	Interest expenses paid		(511,401)	(781,454)
41,787	68,393	Net foreign currency exchange gain		41,795	69,025
17,732	4,214	Unrealised translation gain		17,695	4,567
(31,116)	(24,450)	Net gain (loss) in securities trading and financial instruments		(31,116)	(24,450)
189,188	166,836	Net commission and service income		172,648	148,959
-	142,157	Life insurance operations		-	-
(132,153)	(162,974)	Staff costs		(123,306)	(144,247)
(158,339)	(151,786)	Other payments		(142,851)	(132,997)
146,086	**276,034**	**Net cash from operating activities before change in operating assets**		**121,772**	**189,203**
		Changes in operating assets			
(11,145)	66,835	(Increase) decrease in compulsory balances with the Central Bank		(11,145)	66,836
990,178	(1,147,849)	Decrease (increase) in due from banks and loans to credit and financial institutions		725,199	(1,134,837)
1,392,874	1,947,370	Decrease in loans to customers		1,389,873	1,922,063
728,733	1,130,435	Decrease of finance lease receivable		-	-
18,951	(99,652)	Decrease (increase) in other current assets		48,534	3,768
3,119,591	**1,897,139**	**Net change in operating assets**		**2,152,461**	**857,830**
		Changes in operating liabilities			
(27,655)	(554,413)	(Decrease) in deposits from public		(30,265)	(556,370)
57,405	(40,371)	Increase (decrease) in accrued expenses, deferred income and other liabilities		34,090	(18,393)
29,750	**(594,784)**	**Net change in operating liabilities**		**3,825**	**(574,763)**
3,295,427	**1,578,389**	**Net cash from (to) operating activities before income tax**		**2,278,058**	**472,270**
(222)	(36,299)	Income tax paid		-	(34,394)
3,295,205	**1,542,090**	**Net cash from (to) operating activities after income tax**		**2,278,058**	**437,876**

(*Continued*)

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010
(All amounts in LTL thousands unless otherwise stated)

The Group 2010	The Group 2009		Note	The Bank 2010	The Bank 2009
		Cash flow (to) from investing activities			
(65,554)	(115,641)	(Purchase) of tangible and intangible fixed assets, net		(65,972)	(117,393)
(92,160)	36,017	(Increase) decrease in Government securities available for sale		(92,160)	38,153
65,068	-	Disposal of subsidiaries, net of cash disposed	25	72,063	-
-	-	Dividends received from subsidiaries		3,734	4,816
10,268	(57,907)	(Decrease) increase of investment in other securities and derivatives		10,593	66,693
(82,378)	**(137,531)**	**Cash used in investing activities**		**(71,742)**	**(7,731)**
		Cash flow (to) from financing activities			
345,280	690,560	Shareholders' contributions		345,280	690,560
7	7	Increase (decrease) in amounts owed to the Central Bank		7	7
(4,320,558)	(1,412,971)	(Decrease) increase in amounts owed to credit and financial institutions		(3,314,047)	(439,380)
-	(5,992)	Decrease in subordinated loans		-	(5,992)
(13,764)	90,048	Debt securities issued, net		(13,764)	91,278
(3,989,035)	**(638,348)**	**Cash (used in) received from financing activities**		**(2,982,524)**	**336,473**
(776,208)	**766,211**	**Net (decrease) increase in cash**		**(776,208)**	**766,618**
2,299,863	**1,533,652**	**Cash 1 January**		**2,299,863**	**1,533,245**
1,523,655	**2,299,863**	**Cash 31 December**		**1,523,655**	**2,299,863**
		Specified as follows:			
131,133	-	Balance available for withdrawal with the Central Bank	16	131,133	-
395,858	125,677	Overnight deposits		395,858	125,677
428,427	420,403	Cash on hand		428,427	420,403
568,237	1,753,783	Current accounts with other banks		568,237	1,753,783
1,523,655	**2,299,863**			**1,523,655**	**2,299,863**

(Concluded)

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

The financial statements were approved by the Board of the Bank on 10 March 2011 and signed by:

R. Kvedaras
President

A. Matusevičienė
Head of Support Division, CFO

NOTE 1 GENERAL INFORMATION

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

The Head Office of the Bank is located at Gedimino pr. 12, Vilnius. As of 31 December 2010 the Bank had 57 customer service branches (as of 31 December 2009 – 57).

As of 31 December 2010 AB SEB Bank had 4 subsidiaries (as of 31 December 2009 – 6). 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 25.

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

These consolidated financial statements have been approved by the Board of the Bank on 10 March 2011. Neither the Bank's shareholders nor others have the power to amend the financial statements after issue.

NOTE 2 ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group and the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by EU, that are relevant to the Group and the Bank operations and effective for accounting periods beginning on 1 January 2010.

The Group adopted amendment to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. This amendment to IFRS 5 is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that an entity committed to a sale plan involving loss of control of a subsidiary would classify the subsidiary's assets and liabilities as held for sale. The revised guidance should be applied prospectively from the date at which the entity first applied IFRS 5.

The Group also adopted improvements to International Financial Reporting Standards, issued in April 2009 (amendments to IFRS 2, IAS 38, IFRIC 9, IFRIC 16, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The amendments did not have a material impact on these financial statements.

a) Amendments to existing standards and interpretations effective in 2010 but not relevant

The following amendments to existing standards and interpretations to published standards as adopted by EU are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant to the Group's and the Bank's operations:

- IFRIC 12 'Service Concession Arrangements' (effective for annual periods beginning on or after 30 March 2009);
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective for annual periods beginning after 30 June 2009)
- IFRIC 15 'Agreements for the Construction of Real Estate' (effective for annual periods beginning after 31 December 2009);

NOTE 2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

a) Amendments to existing standards and interpretations effective in 2010 but not relevant (continued)

- Amendments to IFRIC 9 and IAS 39 'Embedded Derivatives' (effective for annual periods beginning after 31 December 2009);
- IFRIC 17 'Distributions of Non-Cash Assets to Owners' (effective for annual periods beginning after 31 October 2009);
- IFRIC 18 'Transfers of Assets from Customers' (effective for annual periods beginning after 31 October 2009);
- IAS 27 (revised) 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 July 2009);
- IFRS 3 (revised) 'Business Combinations' (effective for 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);
- Amendment to IAS 39 'Eligible Hedged Items' (effective with retrospective application for annual periods beginning on or after 1 July 2009);
- IFRS 1 (revised) 'First-time Adoption of International Financial Reporting Standards' (effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009).
- Amendments to IFRS 2 'Group Cash-settled Share-based Payment Transactions' (effective for annual periods beginning on or after 1 January 2010);
- Amendments to IFRS 1 'Additional Exemptions for First-time Adopters' (effective for annual periods beginning on or after 1 January 2010);

b) Standards and amendments to existing standards that are not yet effective, endorsed by EU and have not been early adopted by the Group and the Bank.

The following standards and amendments to existing standards have been published and are mandatory for the Group's and the Bank's accounting periods beginning on or after 1 January 2011 or later periods, but the Group and the Bank have not early adopted them:

- Amendment to IAS 32 'Classification of Rights Issues' (effective for annual periods beginning on or after 1 February 2010);
- Amendment to IAS 24 'Related Party Disclosures' (effective for annual periods beginning on or after 1 January 2011);
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010);
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement '(effective for annual periods beginning on or after 1 January 2011);
- Amendment to IFRS 1, limited exemption from comparative IFRS 7 disclosures for first-time adopters (effective for annual periods beginning on or after 1 July 2010);

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

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

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

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

b) Basis of Accounting

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

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

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

The results and financial position of all the Group and the Bank 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 rate method based on the actual purchase price.

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 comprehensive income and is subsequently recognised in the income statement together with the deferred gain or loss.

g) Share-based Payments

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

h) Dividend Income

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

i) Cash 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.

j) Financial Assets

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

Financial assets at fair value through profit or loss represents two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for selling or repurchasing in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial 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 and the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial assets (continued)

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

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised 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.

k) Recognition of Deferred Day One Profit and Loss

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

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

l) Derivative Financial Instruments

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

Changes in the fair value of derivatives held for trading are included in 'net gain (losses) on derivative financial instruments'.

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

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group and the Bank documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Bank has fair value hedge relationship where hedging instrument is interest rate swap and hedged item Lithuanian Government Eurobonds (accounted for as available for sale investments until 1 July 2008 and vast majority being reclassified to loans and receivables category starting from 1 July 2008). Hedged risk is the change in fair value of the bonds due to market interest rate volatility. After the reclassification to loans and receivables category fair value hedge relationships were continued.

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Impairment of Financial Assets

Assets carried at amortised cost: the Group and the Bank assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

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

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

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

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Finance Lease Receivable

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

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

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

o) Operating Lease – the Group/the Bank as a Lessor

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

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

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

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

q) Fixed Assets

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

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

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

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

Asset category	**Depreciation/ amortisation period (years)**
Software	3-8
Other intangible fixed assets	3-5
Buildings	25-50
Vehicles	5
Computer hardware and cash counting equipment	3-5
Office equipment	5
Other property, plant and equipment	5

r) Investment Property

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Goodwill

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

t) Non-Current Assets Held for Sale

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

u) Impairment of Non-Financial Assets

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

v) Borrowings

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

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

w) Provisions

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

x) Debt Securities in Issue

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

y) Employee Benefits

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

z) Fair Values

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

	2010		2009	
	Book value	**Fair value**	**Book value**	**Fair value**
Balances with the Central Bank	527,258	527,251	384,981	384,953
Due from banks, net	1,177,833	1,177,920	3,118,698	3,128,916
Loans to credit and financial institutions, net of impairment losses	55,399	54,602	20,069	20,407
Loans to customers, net of impairment losses				
Public sector	492,855	470,255	547,358	530,915
Corporate	7,749,076	7,694,722	8,732,455	8,740,787
Private individuals	7,427,376	7,192,266	7,905,581	7,535,343
Investment securities - loans and receivables	1,629,290	1,614,197	1,719,512	1,630,544
Finance lease receivable, net of impairment losses	1,694,691	1,675,471	2,503,885	2,491,486
Investment securities – held to maturity	13,832	12,336	12,748	11,252
Total financial assets valued at amortised cost	**20,767,610**	**20,419,020**	**24,945,287**	**24,474,603**
Amounts owed to the Central Bank	38	38	31	31
Amounts owed to credit and financial institutions	9,295,615	9,493,476	13,650,723	13,780,030
Current and demand deposits	6,514,840	6,514,840	4,767,893	4,767,893
Term deposits from the public	3,128,501	3,116,559	4,901,896	4,992,161
Subordinated loans	597,172	578,632	597,195	583,806
Debt securities in issue	663,177	667,769	697,841	685,452
Total financial liabilities valued at amortised cost	**20,199,343**	**20,371,314**	**24,615,579**	**24,809,373**

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

	2010		2009	
	Book value	**Fair value**	**Book value**	**Fair value**
Balances with the Central Bank	527,258	527,251	384,981	384,953
Due from banks, net	1,177,833	1,177,920	3,118,698	3,128,916
Loans to credit and financial institutions, net of impairment losses	506,636	489,236	348,856	342,055
Loans to customers, net of impairment losses				
Public sector	492,855	470,255	547,358	530,915
Corporate	7,760,499	7,706,094	8,741,150	8,750,173
Private individuals	7,427,376	7,192,266	7,905,581	7,535,343
Investment securities - loans and receivables	1,629,290	1,614,197	1,719,512	1,630,544
Investment securities – held to maturity	13,832	12,336	12,748	11,252
Total financial assets valued at amortised cost	**19,535,579**	**19,189,555**	**22,778,884**	**22,314,150**
Amounts owed to the Central Bank	38	38	31	31
Amounts owed to credit and financial institutions	7,915,364	8,093,612	11,259,609	11,361,053
Current and demand deposits	6,516,173	6,516,173	4,768,336	4,768,336
Term deposits from the public	3,128,501	3,116,559	4,905,396	4,995,668
Subordinated loans	597,172	578,632	597,195	583,806
Debt securities in issue	663,177	667,769	699,854	687,465
Total financial liabilities valued at amortised cost	**18,820,425**	**18,972,783**	**22,230,421**	**22,396,359**

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

z) Fair Values (continued)

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

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

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

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

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

Subordinated loans, debt securities in issue The discounted cash flow model is used based on discounted cash flows using interest rates for new debts with similar remaining maturity.

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

	Fair value measurement at the end of reporting period based on:		
31 December 2010	**Quoted price in active markets for the same instrument**	**Valuation techniques for which all significant inputs are based on observable market data**	**Valuation techniques for which any significant input is not based on observable market data**
Government securities available for sale	164,895	-	-
Financial assets at fair value through profit and loss	45,733	-	29,325
Derivative financial instruments (assets)	-	233,911	-
Investment securities – available for sale	-	-	1,276
Derivative financial instruments (liabilities)	-	(334,427)	-
Total	**210,628**	**(100,516)**	**30,601**

	Fair value measurement at the end of reporting period based on:		
31 December 2009	**Quoted price in active markets for the same instrument**	**Valuation techniques for which all significant inputs are based on observable market data**	**Valuation techniques for which any significant input is not based on observable market data**
Government securities available for sale	65,818	-	-
Financial assets at fair value through profit and loss	19,203	-	29,000
Derivative financial instruments (assets)	-	153,483	-
Investment securities – available for sale	137	-	200
Derivative financial instruments (liabilities)	-	(303,643)	-
Total	**85,158**	**(150,160)**	**29,200**

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

z) Fair Values (continued)

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

	Fair value measurement at the end of reporting period based on:		
31 December 2010	**Quoted price in active markets for the same instrument**	**Valuation techniques for which all significant inputs are based on observable market data**	**Valuation techniques for which any significant input is not based on observable market data**
Government securities available for sale	164,272	-	-
Financial assets at fair value through profit and loss	45,733	-	-
Derivative financial instruments (assets)	-	233,911	-
Investment securities – available for sale	-	-	1,276
Derivative financial instruments (liabilities)	-	(334,427)	-
Total	**210,005**	**(100,516)**	**1,276**

	Fair value measurement at the end of reporting period based on:		
31 December 2009	**Quoted price in active markets for the same instrument**	**Valuation techniques for which all significant inputs are based on observable market data**	**Valuation techniques for which any significant input is not based on observable market data**
Government securities available for sale	65,194	-	-
Financial assets at fair value through profit and loss	19,203	-	-
Derivative financial instruments (assets)	-	153,483	-
Investment securities – available for sale	137	-	200
Derivative financial instruments (liabilities)	-	(303,643)	-
Total	**84,534**	**(150,160)**	**200**

aa) Fiduciary Activities

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

bb) 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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bb) Insurance Activities (continued)

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.

Technical provisions of insurance portfolio may be split 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);
- Unit-linked insurance portfolio – profit or loss from the underlying asset depends to insurer (rules: 03, 11, 12).

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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bb) Insurance Activities (continued)

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 covers only 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.

cc) 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'.

dd) 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.

ee) Comparative Information

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

ff) Segment Reporting

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Financial Risk Management Policy

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

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

The Group's and the Bank'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.

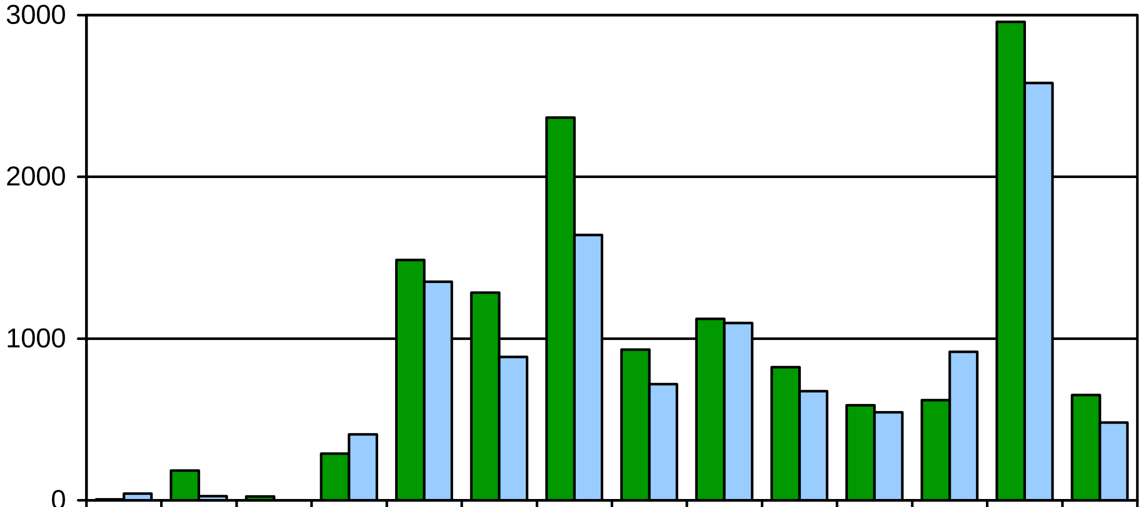
Credit Risk Classification
The Bank has got the permission from the regulators to use an IRB (Internal Ratings Based Approach, according to Basel II methodology) models in credit risk assessment process and for the regulatory capital calculation starting from the beginning of 2008 to be applied for the main credit portfolio segments: Corporate (Non-retail), Financial Institutions (Non-retail), Small Corporate (Retail) and Private Individuals (Retail). The Group uses different risk classification systems applicable for particular portfolio segment. The same expert judgment based risk classification systems are used for credit risk assessment of Non-retail credit exposures in all parts of SEB Group. Credits that exceed 1 million LTL and/or entities's turnover exceed 10 million LTL are classified as Non-retail positions. The Bank uses the master scale of 16 risk classes classifying the credit risk of Non-Retail borrowers with 1 representing the lowest default probability and 16 representing the default. Risk classes 1-7 are considered "investment grade. The borrowers falling into the range of risk class 1-10 are treated as normal business loans. The borrowers of risk class 11 and 12 are defined as 'restricted business' and 'special observation' respectively, while the borrowers in risk classes 13-16 are classified as 'watch list'. Risk classes are used as important parameters in the credit policy, the credit approval process, credit risk measurement and management, monitoring and reporting of credit risk. The credit risk assessment is based on analysis of Non-retail borrower's ability to meet interest and principal amount repayment obligations, covering business and financial risk. Financial ratios and peer group comparison are used in the risk assessment. The credit risk of the Non-retail borrowers is reviewed on regular basis at least once per year depending on the risk class assigned to the borrower. High-risk exposures are subject to more frequent reviews. The objective is to identify at an early stage, credit exposures with increased risk for loss, and work together with the customer towards a constructive solution that enables the Group and the Bank to reduce or avoid credit losses as well as maintain long term relationship with the customer.

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Financial Risk Management Policy (continued)

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*
December '09	6	185	23	289	1487	1285	2367	932	1123	823	587	619	2959	652
December '10	41	25	0	408	1351	887	1640	718	1096	675	544	919	2580	480

December '09   December '10

**SE – small enterprise*

The analysis in the table above did not include private individuals LTL 7,836 million (2009: LTL 8,235 million), accrued interest LTL 15 million (2009: LTL 21 million) and provisions for impairment losses LTL 1,851 million (2009: LTL 1,904 million).

Impairment Losses on Loans and Advances
The Group's and the Bank credit risk exposures are assessed on an individual and portfolio basis. In case of individually assessed loans, a specific provision should be made for the probable credit loss on an identified impaired loan. A loan is classified as impaired if there is objective evidence that one or several loss events have occurred and if the effects of those events impact estimated future cash flows, for instance, if the customer is in significant financial difficulty or defaults on the payment of interest or principal. Loans are not classified as impaired if the value of collateral covers principal and interest with satisfactory margin. The criteria that the Group and the Bank uses to determine that there is objective evidence of an impairment loss include:

- Downgrading to internal risk class 16;
- Proceeds of the loan without a prior consent of the bank are used for the purposes other that stipulated in the loan agreement ant this event has a negative impact on the credit risk of the borrower;
- Breach of investment project covenants having a negative impact on the credit risk of the borrower;
- Related 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.

To identify impairment loss correctly and on time, the Group and the Bank 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; 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 have to be presented to the respective Credit Committee as soon as possible. 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.

A collective provision or reserve is made on loans that have not been deemed to be impaired on individual basis, that is, impairments which are incurred but not yet identified (IBNI). Loans with similar credit risk characteristics are grouped together and assessed collectively for impairment. The Group's internal Non-retail risk classification system constitutes one of the components forming the basis for determining the total amount of collective provision. The collective provisions represent an interim step, pending the identification of specific losses on individual loans.

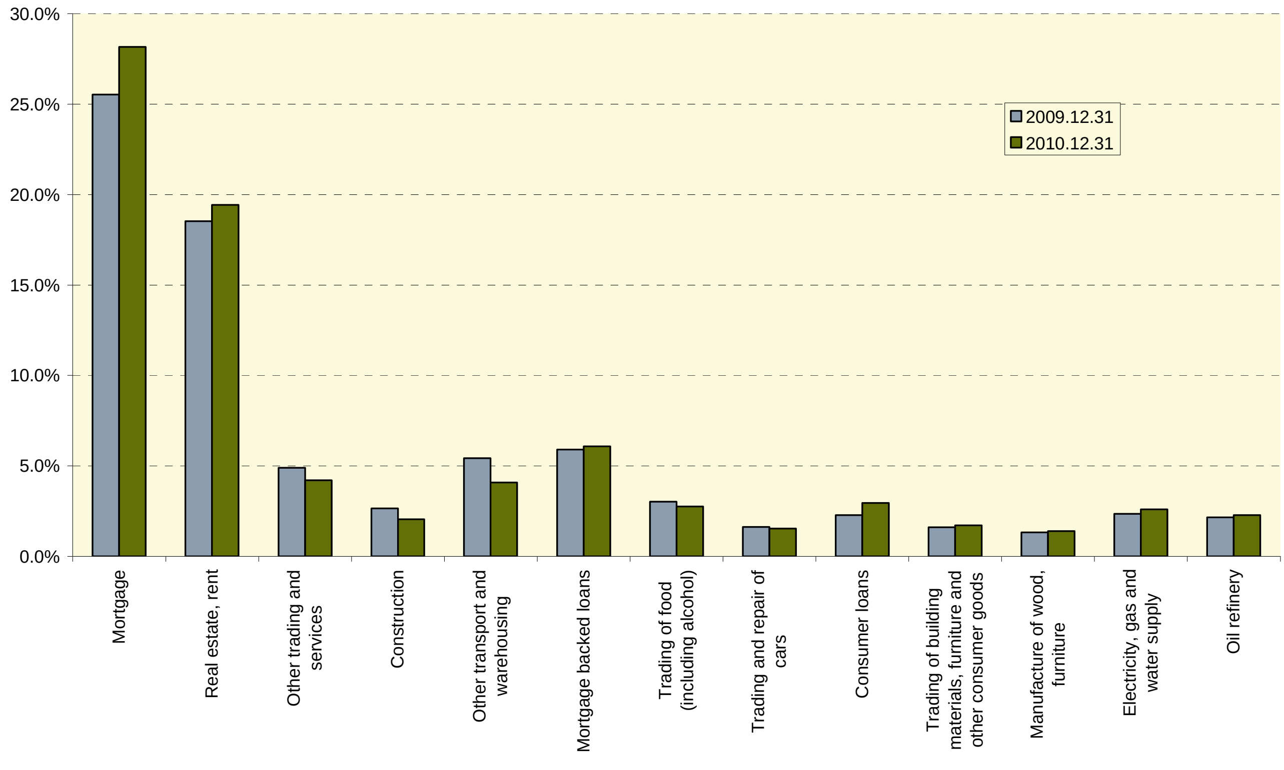
NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Financial Risk Management Policy (continued)

The portfolio based assessment is applied to the following homogeneous credit groups having the similar risk characteristics: mortgage loans, consumer loans, credit cards, small corporate loans. The collective provisions for the homogeneous credit groups are formed by applying statistical methods based on historical data about the observed default frequencies of the borrowers (PD) and the suffered losses (LGD) within the corresponding homogeneous credit group and expert judgment adjustments considering historical experience of adequacy of provisioning levels, objective evidences of portfolio quality development, adequacy of security of particular portfolio and other particularities of credit portfolio, that are not taken into consideration by quantitative assessment.

An impairment loss is reported as a write off, if it is deemed impossible to collect the contractual amounts due that have not been paid and/or are expected to remain unpaid, or if it is deemed impossible to recover the 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.

Credit Risk Limits and Monitoring
The Group and the Bank structures the levels of credit portfolio risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. The credit risk exposure to a single borrower or borrowers' groups and the industries are monitored on a regular basis. Credit concentration exposure limits (on balance and off balance) are established by Assets and liability management committee (ALCO) and regularly monitored by risk control function. As of 31 December 2010, credit exposures are in compliance with limits set by ALCO. The table below represents the development of credit exposures within particular industries.



NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Financial Risk Management Policy (continued)

Maximum Exposure to Credit Risk Before Collateral Held or Other Credit Enhancements
The below table represents a worse case scenario of credit risk exposure to the Group and the Bank as of 31 December 2010 and 2009, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

The Group			The Bank	
2010	2009		2010	2009
1,177,833	3,118,698	Due from banks, net	1,177,833	3,118,698
164,895	65,818	Government securities available for sale	164,272	65,194
75,058	48,203	Financial assets at fair value through profit and loss	45,733	19,203
233,911	153,483	Derivative financial instruments	233,911	153,483
55,399	20,069	Loans to credit and financial institutions, net of impairment losses	506,636	348,856
		Loans to customers, net of impairment losses		
3,237,688	3,375,584	Property management	3,237,688	3,375,584
4,511,388	5,356,871	Other corporate	4,522,811	5,365,566
492,855	547,358	Public	492,855	547,358
6,321,266	6,564,974	Mortgage loans	6,321,266	6,564,974
1,106,110	1,340,607	Other private individuals	1,106,110	1,340,607
		Finance lease receivable, net of impairment losses		
1,565,048	2,317,348	Corporate	-	-
104,762	150,763	Private individuals	-	-
24,881	35,774	Other	-	-
		Investment securities:		
1,629,290	1,719,512	- loans and receivables	1,629,290	1,719,512
1,276	337	- available for sale	1,276	337
13,832	12,748	- held to maturity	13,832	12,748
85,092	185,550	Other financial assets, net of impairment losses	78,566	89,183
2,791,151	2,944,828	Credit risk exposures relating to off-balance sheet items	2,742,945	2,854,101
23,591,735	**27,958,525**	**Total as of 31 December**	**22,275,024**	**25,575,404**

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group and the Bank resulting from both its loan and advances portfolio and debt securities. For information on loan ratings see Credit risk management note information above. 100% of investments in Government securities compose of Government debt securities that have an investing rating.

Market Risk
Market risk is defined as the risk of a loss or reduction of future net income following changes in interest rates, foreign exchange and equity prices, including price risk in connection with the sale of assets or closing of positions.

A particular distinction shall be made between trading book related market risks and structural market and net interest income risks, i.e. non-trading risk. The overall market risk exposure (trading and non-trading) is measured using Value-at-Risk (VaR) model based on 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 41.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Financial Risk Management Policy (continued)

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

General Regulations for the Internal Capital Adequacy Assessment Process (ICAAP) came into effect as from 1 January 2007. In accordance to these regulations, banks' should identify all risks, not only the ones assessed in capital adequacy calculation, to select risk assessment models, estimate it, choose tools for risks management, and to set a goal for limits. Accordingly, the Bank set a goal to achieve ICAAP result and continuously have capital adequacy higher than 11 per cent during 2010.

The Bank's and the Financial Group capital adequacy ratios during 2010 were as follows:

	31 March 2010	30 June 2010	30 September 2010	31 December 2010
The Bank	16.54%	15.70%	15.50%	16.43%
The Financial Group	14.99%	14.15%	14.71%	15.95%

For further information see Note 39.

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 2010 and 2009 are presented in Note 40.

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

The interest rate risk management as of 31 December 2010 and 2009 is presented in Note 41.

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Financial Risk Management Policy (continued)

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

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit and financial institutions	785,309	61,611	755,976	7,493,447	712,497	9,808,839
Deposits from public	8,197,232	732,008	637,761	63,772	28,825	9,659,597
Debt securities in issue and subordinated loans	82,088	23,068	34,309	149,999	1,086,632	1,376,097
Other financial liabilities	59,702	11,198	6,220	3,871	13,984	94,975
Total undiscounted non- derivative financial liabilities	**9,124,331**	**827,884**	**1,434,266**	**7,711,089**	**1,841,938**	**20,939,508**
Off balance sheet commitments related to lending	1,789,212	356,810	109,001	150,099	126,160	2,531,282
Rental off balance sheet commitments	8,527	8,027	15,708	72,261	63,938	168,461
Capital commitments	256,018	3,839	-	-	-	259,857

Rental off balance sheet commitments for the period 1 – 5 years are LTL 87,913 thousand; for the period over 5 years LTL 48,286 thousand.

The Group's undiscounted non-derivative financial liability analysis as of 31 December 2009:

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	1,632,520	310,207	731,835	9,371,997	2,325,817	14,372,376
Deposits from public	7,604,530	1,202,899	822,070	74,520	47,639	9,751,658
Debt securities in issue and subordinated loans	146,712	64,211	347,702	157,417	715,400	1,431,442
Other financial liabilities	16,469	4,690	9,865	5,248	10,759	47,031
Total undiscounted non- derivative financial liabilities	**9,400,231**	**1,582,007**	**1,911,472**	**9,609,182**	**3,099,615**	**25,602,507**
Off balance sheet commitments related to lending	1,245,429	264,576	402,189	194,367	531,211	2,637,772
Rental off balance sheet commitments	25,809	25,559	50,077	68,564	69,878	239,886
Capital commitments	102,654	142	387	203,482	-	306,665

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Financial Risk Management Policy (continued)

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

Maturity	Up to 3 month	3–6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit and financial institutions	901,921	52,005	612,650	6,073,696	712,497	8,352,769
Deposits from public	8,198,565	732,008	637,761	63,772	28,825	9,660,931
Debt securities in issue and subordinated loans	82,088	23,068	34,309	149,999	1,086,632	1,376,096
Other financial liabilities	33,812	8,984	1,875	304	11,392	56,367
Total undiscounted non- derivative financial liabilities	**9,216,386**	**816,065**	**1,286,595**	**6,287,771**	**1,839,346**	**19,446,163**
Off balance sheet commitments related to lending	2,189,801	154,571	110,122	162,109	126,330	2,742,933
Rental off balance sheet commitments	8,376	7,855	15,363	71,895	63,777	167,266

Rental off balance sheet commitments for the period 1 – 5 years are LTL 87,386 thousand; for the period over 5 years LTL 48,286 thousand.

The Bank's undiscounted non-derivative financial liability analysis as of 31 December 2009:

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	1,816,103	416,595	288,516	7,450,023	1,868,778	11,840,015
Deposits from public	7,608,482	1,202,899	822,070	74,520	47,639	9,755,610
Debt securities in issue and subordinated loans	147,501	64,211	348,991	157,417	715,400	1,433,520
Other financial liabilities	16,370	2,574	6,323	1,338	8,287	34,892
Total undiscounted non- derivative financial liabilities	**9,588,456**	**1,686,279**	**1,465,900**	**7,683,298**	**2,640,104**	**23,064,037**
Off balance sheet commitments related to lending	1,246,181	264,591	523,722	206,031	613,185	2,853,710
Rental off balance sheet commitments	8,669	8,419	15,798	68,117	69,717	170,720

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

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Financial Risk Management Policy (continued)

Undiscounted derivative instruments analysis for the Group and the Bank as of 31 December 2009:

Maturity	**Up to 3 month**	**3–6 months**	**6-12 months**	**1-3 years**	**Over 3 years**	**Total**
Outflows:						
IRS	60,720	75,185	90,850	524,163	639,147	1,390,065
FX forwards	17,645	3,546	49,149	-	-	70,340
FX swaps	632,220	207,477	165,857	-	-	1,005,554
Equity options	-	1,588	-	87	-	1,675
Interest rate options	7,661	370	805	3,114	860	12,810
Currency options	1,140	845	1,208	885	-	4,078
Forward rate agreements	-	-	-	81,831	-	81,831
Total outflows	**719,386**	**289,011**	**307,869**	**610,080**	**640,007**	**2,566,353**
Inflows:						
IRS	47,924	21,316	99,714	419,118	629,991	1,218,063
FX forwards	12,618	3,235	47,105	-	-	62,958
FX swaps	635,438	208,776	167,464	-	-	1,011,678
Equity options	-	1,588	-	87	-	1,675
Interest rate options	7,333	80	246	1,852	662	10,173
Currency options	1,213	1,641	2,384	183	-	5,421
Forward rate agreements	-	-	-	6,298	103,824	110,122
Total inflows	**704,526**	**236,636**	**316,913**	**427,538**	**734,477**	**2,420,090**

In the tables above net-settled derivatives are included in the analysis only if they have a negative fair value at the balance sheet date (if they are liabilities at that date). However all gross-settled derivatives are included in the analysis whether their fair value is negative or positive at balance sheet date. Pay leg of such derivatives is presented as outflow and receive leg as inflow. The maturity of the Group's and Bank's assets and liabilities is presented in Note 38 and shows the remaining period from the balance sheet date to the contractual maturity.

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

Operational Risk

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

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

The Bank has developed several operational risk management tools: Operational risk policy, ORSA (Operational Risk Self Assessment) and RTSA (Rogue Trading Self Assessment) instructions, Insurance policy, Contingency plans, mechanism of Internal Controls, New Product Approval Process to minimize the operational risks in all bank units and activities.

Bank has implemented SEB Group wide IT solution called ORMIS designed to identify, analyze, report and mitigate the risk. Operational risk self assessments (ORSA, RTSA and internal controls) 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.

Two other systems – NAMIS and LDRPS – help with managing operational risk in respectively areas like New Product Approval and Business Continuity Planning.

In addition to that there is Operational risk committee which ensures cooperation between Risk managers (1st line-of-defense) and 2nd line-of-defense units (audit, risk control, security, compliance, legal). Board members every quarter are introduced with report about new identified risks and follow-up on earlier identified issues.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Financial Risk Management Policy (continued)

Stress Testing

Stress tests and scenario analysis are widely used to identify high-risk areas and relationships including concentration risks, its risk drivers and to evaluate the combined effect of shocks in the market. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Control include the risk factor stress testing, where stress movements are applied to each risk category: market, credit, liquidity and operational risk. The ultimate goal of the analysis is to estimate net effect of the stress scenarios to the capital of the Bank and the Group and prepare the action plan ensuring that the business operations shall be secured in case the worst case scenario occurs. The comprehensive scenario based stress testing covering all appropriate risk types is conducted at least annually and reported to the Asset Liability Management Committee (ALCO). Due to the fact that global credit crisis continued during the year 2010 the stress testing exercises were performed more frequently. The stress testing of the Group is part of Internal Capital Assessment Process (ICAAP).

Internal Control

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

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 and the Bank 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 and the Bank uses to determine that there is objective evidence of an impairment loss include:

- Downgrading to internal risk class 16;
- Proceeds of the loan without a prior consent of the bank are used for the purposes other that stipulated in the loan agreement ant this event has a negative impact on the credit risk of the borrower;
- Breach of investment project covenants having a negative impact on the credit risk of the borrower;
- Related 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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Financial Risk Management Policy (continued)

Recent Volatility in Global Financial Markets
The ongoing global credit crisis which continued during the year 2009 has resulted in, among other things, lower liquidity of clients' financial standing, a lower level of capital market funding and a high volatility in stock markets. In addition, the global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's and the Bank's business in the current circumstances.

hh) 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 and the Bank 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 and the Bank 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 and the Bank. Consequently, the policyholders are entitled to all of the returns generated by the funds. The Group and the Bank 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 and the Bank 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 73,198 thousand (2009: LTL 73,320 thousand), of which LTL 58,485 thousand (2009: 67,579 LTL thousand) coming from loans and advances assessed individually and LTL 14,713 thousand (2009: LTL 5,741 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 and the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

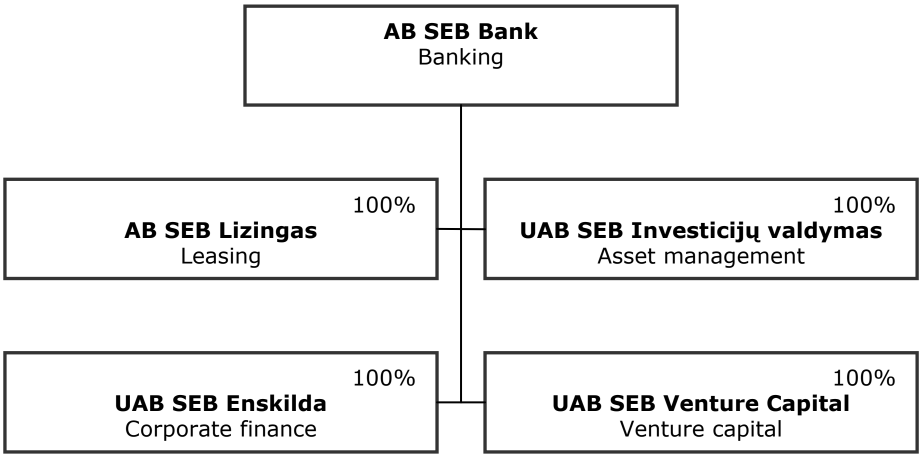
Finance Leases and Derecognition of Financial Assets
Management applies judgment to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards. The Group considers that risks and rewards are substantially transferred if present value of minimal lease payments 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.

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 2010 was as follows:



On 19 April 2010 UAB SEB Lizingas changed its legal status to AB SEB Lizingas.

On 13 January 2010 UAB SEB Gyvybės Draudimas (Life insurance) was sold to SEB Trygg Liv Holding AB, which is a part of SEB Group Companies in Sweden.

On 26 February 2010 UAB Litectus was sold to Baltectus BV, which is a part of SEB Group Companies in Sweden.

As of 31 December 2009 both subsidiaries (UAB SEB Gyvybės Draudimas and UAB Litectus) were accounted for as discontinued operations on the Group's and the Bank's Statement of Financial Position.

For more information see note 25.

NOTE 5 SEGMENT INFORMATION

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

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

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

Baltic Division has overall responsibility for providing retail services to the all types of companies and individuals. Baltic division offers it's clients solutions in the areas of:

- Lending;
- Leasing and factoring products;
- Liquidity management and payment services;
- Private Banking – which serves the higher end of the private individual segment with wealth management services and advisory services.

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

The Merchant Banking division has overall responsibility for servicing large and medium-sized companies, financial institutions, banks, and commercial real estate clients. Merchant Banking offers its clients integrated investment and corporate banking solutions, including the investment banking activities. Merchant Banking's main areas of activity include:

- Lending and debt capital markets;
- Trading in equities, currencies, fixed income, derivatives and futures;
- Advisory services, brokerage, research and trading strategies within equity, fixed income and foreign exchange markets;
- Cash management;
- Custody and fund services;
- Venture capital.

NOTE 5 SEGMENT INFORMATION (CONTINUED)

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

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

The Life Insurance division is responsible for all of Group's life insurance operations. The operations comprise insurance products within the area of investments and social security for private individuals and companies. In January 2010 the Group has transferred it's Life Insurance segment to the SEB Group' company in Sweden, SEB Trygg Liv.

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

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

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

A geographical segment means a constituent part of the business participating in provision of services within certain economic environment the risk and returns whereof are different from other constituent parts operating in other economic environments.

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

NOTE 5 SEGMENT INFORMATION (CONTINUED)

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

	Baltic Division	**Merchant Banking**	**Asset Management**	**Treasury**	**Operations**	**Staff Functions**	**Information Technologies**	**Eliminations**	**Total Group**
Net interest income	253,909	8,079	166	(52,420)				(23)	**209,711**
- Internal	*(273,902)*	*5,997*	*139*	*267,789*	-	-	-	*(23)*	**-**
- External	*527,811*	*2,082*	*27*	*(320,209)*	-	-	-	-	***209,711***
Net commission income	147,497	14,134	10,257	(1,221)	-	-	-	-	**170,667**
- Internal	*7,888*	*2,742*	*(9,504)*	*(1,126)*	-	-	-	-	**-**
- External	*139,609*	*11,392*	*19,761*	*(95)*	-	-	-	-	***170,667***
Net financial income	14,031	71,499	-	12	-	-	-	-	**85,542**
Net other income	35,609	4,896	26	11	-	-	50,014	(50,158)	**40,398**
Net operating income	**451,046**	**98,608**	**10,449**	**(53,618)**	**-**	**-**	**50,014**	**(50,181)**	**506,318**
Total staff costs and other administrative expenses	(341,964)	(20,746)	(4,458)	(483)	92	(328)	(50,815)	50,181	**(368,521)**
Capital losses	11	-	-	-	-	-	-	-	**11**
Total impairment losses	(153,934)	-	-	-	-	-	-	-	**(153,934)**
Loss before income tax	**(44,841)**	**77,862**	**5,991**	**(54,101)**	**92**	**(328)**	**(801)**	**-**	**(16,126)**
Income tax benefit	(2,666)	405	392	-	-	-	-	-	**(1,869)**
Net (loss) for the year	**(47,507)**	**78,267**	**6,383**	**(54,101)**	**92**	**(328)**	**(801)**	**-**	**(17,995)**
Total Assets	**18,667,937**	**439,140**	**22,039**	**10,414,063**	**-**	**-**	**-**	**(6,985,350)**	**22,557,829**
Total Liabilities	**16,831,065**	**360,873**	**15,049**	**10,477,014**	**-**	**-**	**-**	**(6,985,350)**	**20,698,651**
Acquisition of intangible assets and property, plant and equipment	*66,797*	-	*42*	-	-	-	-	-	*66,839*

NOTE 5 SEGMENT INFORMATION (CONTINUED)

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

		Eliminations			
	Segment Reporting	**Interest income from Hedged L&R**	**Life Insurance and Litectus Adjustments**	**Other reconciling entries**	**Financial Statements**
Net interest income	209,711	60,431	-	(1,715)	268,427
Net commission income	170,667	-	-	(226)	170,441
Net financial income	85,542	(60,431)	30,137	24,713	79,961
Net other income	40,398	-	(30,137)	(10,261)	-
Net operating income	**506,318**	**-**	**-**	**12,511**	**518,829**
Total staff costs and other administrative expenses	(368,521)	-	220	(12,529)	(380,830)
Capital losses	11	-		(11)	-
Total impairment losses	(153,934)	-	-	29	(153,905)
Loss before income tax	**(16,126)**	**-**	**220**	**-**	**(15,906)**
Income tax benefit	(1,869)	-	(31)	-	(1,900)
Profit for the year from discontinued operations	-	-	(189)	-	(189)
Net (loss) for the year	**(17,995)**	**-**	**-**	**-**	**(17,995)**

NOTE 5 SEGMENT INFORMATION (CONTINUED)

Business segments of the Group for the year ended 31 December 2009 were as follows:

	Baltic Division	**Merchant Banking**	**Life insurance**	**Asset Management**	**Treasury**	**Operations**	**Staff Functions**	**Information Technologies**	**Eliminations**	**Total Group**
Net interest income	279,254	15,273	-	418	(258)	-	-	-	281	**294,968**
- Internal	(490,673)	11,527	-	391	478,474	-	-	-	281	**-**
- External	769,927	3,746	-	27	(478,732)	-	-	-	-	**294,968**
Net commission income	132,021	19,925	-	10,529	(1,200)	-	-	-	(3,254)	**158,021**
- Internal	9,419	2,449	-	(7,414)	(1,200)	-	-	-	(3,254)	**-**
- External	122,602	17,476	-	17,943	-	-	-	-	-	**158,021**
Net financial income	20,941	71,301	-	-	(19,802)	-	-	-	-	**72,440**
Net life insurance income	-	-	31,546	-	-	-	-	-	(296)	**31,250**
Net other income	7,833	(2,106)	-	-	1,357	-	1,613	39,638	(43,352)	**4,983**
Net operating income	**440,049**	**104,393**	**31,546**	**10,947**	**(19,903)**	**-**	**1,613**	**39,638**	**(46,621)**	**561,662**
Total staff costs and other administrative expenses	(479,198)	(22,563)	(18,545)	(5,707)	(399)	1,393	2,026	(41,852)	46,621	**(518,224)**
Capital (losses)	(5,403)	-	-	-	-	-	-	-	-	**(5,403)**
Total impairment losses	(1,729,866)	(1,500)	-	-	-	-	-	-	-	**(1,731,366)**
Profit before income tax	**(1,774,418)**	**80,330**	**13,001**	**5,240**	**(20,302)**	**1,393**	**3,639**	**(2,214)**	**-**	**(1,693,331)**
Income tax expense	267,050	75	(210)	(1,039)	-	-	-	-	-	**265,876**
Net profit for the year	**(1,507,368)**	**80,405**	**12,791**	**4,201**	**(20,302)**	**1,393**	**3,639**	**(2,214)**	**-**	**(1,427,455)**
Total Assets	21,016,135	478,116	424,559	17,876	14,933,713	-	-	-	(9,918,082)	**26,952,317**
Total Liabilities	19,557,733	397,711	396,022	13,264	14,968,796	-	-	-	(9,906,104)	**25,427,422**
Acquisition of intangible assets and property, plant and equipment	*123,343*	-	*189*	*30*	-	-	-	-	-	*123,562*

For the year ended 31 December 2009 net result of Life insurance segment in the Group's income statement are presented as 'Profit for the year from discontinued operations'.

NOTE 5 SEGMENT INFORMATION (CONTINUED)

For the year ended, 31 December 2009 reconciliation between Group's Segment reporting and financial statements is presented below:

		Eliminations					
	Segment Reporting	Interest income from Hedged L&R	Life Insurance and Litectus Adjustments	Lease Provisions Adjustment	Grouping Reclassifi-cation	Other reconciling entries	Financial Statements
Net interest income	294,968	29,272	-	-	-	4,547	328,787
Net commission income	158,021	-	-	-	-	(1,043)	156,978
Net financial income	72,440	(29,272)	-	-	-	10,152	53,320
Net life insurance income	31,250	-	(31,250)	-	-	-	-
Net other income	4,983	-	-	-	(4,983)	-	-
Net operating income	**561,662**	**-**	**(31,250)**	**-**	**(4,983)**	**13,656**	**539,085**
Total staff costs and other administrative expenses	(518,224)	-	13,027	1,992	(420)	(13,656)	(517,281)
Capital losses	(5,403)	-			5,403	-	-
Total impairment losses	(1,731,366)	-	-	(1,992)	-	-	(1,733,358)
Profit before income tax	**(1,693,331)**	**-**	**(18,223)**	**-**	**-**	**-**	**(1,711,554)**
Income tax expense	265,876	-	165	-	-	-	266,041
Profit for the year from discontinued operations	-	-	18,058	-	-	-	18,058
Net profit for the year	**(1,427,455)**	**-**	**-**	**-**	**-**	**-**	**(1,427,455)**

NOTE 6 NET INTEREST INCOME

The Group			The Bank	
2010	**2009**		**2010**	**2009**
767,186	1,150,118	Interest income:	692,681	1,039,925
2,132	3,033	on balances with Central Banks	2,132	3,033
14,861	13,446	on loans and advances to credit institutions	21,549	41,545
586,740	905,012	on loans and advances to customers	582,761	900,147
81,611	83,713	on government securities - loans and receivables	81,611	83,713
77,187	133,400	on finance leasing portfolio		-
3,196	8,111	on debt securities available for sale	3,169	8,084
1,459	3,403	on debt securities, designated at fair value	1,459	3,403
(498,759)	(821,331)	Interest expenses:	(459,219)	(734,983)
(271,256)	(487,104)	on amounts owed to credit and financial institutions	(231,712)	(400,769)
(132,167)	(259,555)	on deposits from the public	(132,171)	(259,555)
(54,107)	(30,520)	on debt securities	(54,107)	(30,507)
(41,229)	(44,152)	deposits insurance expenses	(41,229)	(44,152)
268,427	**328,787**	**Total net interest income**	**233,462**	**304,942**

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

The Group			The Bank	
2010	**2009**		**2010**	**2009**
8	(48)	Impairment losses on loans to credit and financial institutions charge for the year, net	391,008	(391,048)
(119,487)	(1,162,037)	Impairment losses on loans to customers charge for the year, net	(119,487)	(1,160,537)
133	136	Recovered written off loans	133	136
(119,346)	**(1,161,949)**	**Impairment losses on loans, net**	**271,654**	**(1,551,449)**

Changes in impairment losses during the year 2010 were as follows:

The Group			The Bank	
2010	**2009**		**2010**	**2009**
1,460,762	311,830	Impairment losses on loans as of 1 January (note 22)	1,459,262	311,830
119,487	1,162,037	Impairment losses charged to income statement by customer category, net:	119,487	1,160,537
(1,182)	*369,714*	*Other corporate*	*(1,182)*	*368,214*
(1,393)	*683,634*	*Property management*	*(1,393)*	*683,634*
92,909	*62,781*	*Mortgage*	*92,909*	*62,781*
29,153	*45,908*	*Other private individuals*	*29,153*	*45,908*
-	(6,043)	Provisions for accrued interest adjustment	-	(6,043)
-	*(1,878)*	*Other corporate*	-	*(1,878)*
-	*(4,165)*	*Property management*	-	*(4,165)*
2,232	-	Loans recovered to balance sheet	2,232	-
1,641	-	*Other corporate*	*1,641*	-
591	-	*Property management*	*591*	-
(117,855)	(7,140)	Loans written off:	(117,855)	(7,140)
(86,178)	*(1,017)*	*Other corporate*	*(86,178)*	*(1,017)*
(31,432)	-	*Property management*	*(31,432)*	-
(245)	*(6,123)*	*Private individuals*	*(245)*	*(6,123)*
801	78	Effect of change in exchange rate	801	78
1,465,427	**1,460,762**	**Impairment losses on loans as of 31 December**	**1,463,927**	**1,459,262**

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

As of 31 December 2010 the Bank had LTL 2,936,145 thousand of individually impaired loans, gross of impairment losses and deferred administration fee (2009: LTL 2,583,781 thousand). As of 31 December 2010 accrued interest on these loans amounted to LTL 1,544 thousand (2009: LTL 4,428 thousand). Accordingly, individually impaired loans to credit and financial institution amounted to LTL 361 thousand (no accrued interest) gross of impairment losses and deferred administration fee (2009: LTL 412,537 thousand (no accrued interest)). Deferred administration fee amounted to LTL 953 thousand for individually impaired loans to customers and LTL 1 thousand for loans to credit and financial institution.

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

Interest income on these loans for the year ended 31 December 2010 amounted to LTL 43,303 thousand (2009: LTL 8,979 thousand). Impaired loans referred to above are identified in accordance with the Bank's Credit Loss Instructions.

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

The Group			The Bank	
2010	**2009**		**2010**	**2009**
383,526	444,704	Impairment losses on finance lease portfolio	-	-
36	4,464	Impairment losses on other assets	36	35
383,562	**449,168**	**Impairment losses on finance lease portfolio and other assets as of 31 December**	**36**	**35**

Changes in impairment losses for finance lease portfolio for the year ended 31 December 2009 were as follows:

The Group			The Bank	
2010	**2009**		**2010**	**2009**
67,351	453,464	Impairment losses on finance lease portfolio charged to income statement	-	-
(400)	30,579	Investment property impairment loss	-	-
(16,029)	36,628	Impairment losses on foreclosed assets	-	-
(9,572)	31,806	Result from sales of foreclosed assets according to terminated lease portfolio agreements	-	-
41,350	**552,477**	**Impairment losses on finance lease portfolio, net**	**-**	**-**

The Group			The Bank	
2010	**2009**		**2010**	**2009**
444,704	115,468	Impairment losses on finance lease portfolio as of 1 January (note 23)	-	-
67,351	453,464	Impairment losses charged to income statement, net:	-	-
64,862	*455,015*	*Corporate*	-	-
2,489	*(1,536)*	*Private individuals*	-	-
-	*(15)*	*Other*	-	-
-	(6,213)	Provisions for accrued interest adjustment	-	-
(128,529)	(118,015)	Finance leasing receivable written off	-	-
(128,146)	*(115,959)*	*Corporate*	-	-
(383)	*(2,056)*	*Private individuals*	-	-
383,526	**444,704**	**Impairment losses on finance lease portfolio as of 31 December**	**-**	**-**

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

NOTE 8 NET FEE AND COMMISSION INCOME

The Group			The Bank	
2010	**2009**		**2010**	**2009**
62,101	59,756	For money transfer operations	62,101	59,756
86,673	85,366	For payment cards services	86,673	85,366
11,014	9,519	For operations with securities	11,014	9,519
75,258	69,918	Other income on services and commissions	59,004	52,281
235,046	**224,559**	**Income on services and commissions**	**218,792**	**206,922**
(1,859)	(2,112)	For money transfer operations	(1,859)	(1,975)
(44,827)	(45,610)	For payment cards services	(44,827)	(45,610)
(2,484)	(2,883)	For operations with securities	(2,484)	(2,883)
(15,435)	(16,976)	Other expenses on services and commissions	(13,195)	(14,044)
(64,605)	**(67,581)**	**Expenses on services and commissions**	**(62,365)**	**(64,512)**

NOTE 9 DIVIDEND INCOME FROM SUBSIDIARIES

	2010	2009
UAB SEB Investicijų Valdymas	3,734	4,816
Total dividend income	**3,734**	**4,816**

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

The Group			The Bank	
2010	**2009**		**2010**	**2009**
6,306	6,855	Realised result from operations with debt securities in trading portfolio	6,306	6,855
393	831	Unrealised result from operations with debt securities in trading portfolio	393	831
1,139	831	Result of available for sale portfolio designated for fair value hedge	1,139	831
(22,406)	8,942	Government securities - loans and receivables, designated for fair value hedge	(22,406)	8,942
(34,119)	(54,942)	Result of interest rate swap designated as hedging instrument	(34,119)	(54,942)
20,016	11,562	Result of other derivatives	20,016	11,562
(2,445)	1,471	Result from other trading securities	(2,445)	1,471
(31,116)	**(24,450)**	**Net losses on financial assets and derivative instruments accounted for at fair value**	**(31,116)**	**(24,450)**

NOTE 11 NET FOREIGN EXCHANGE GAIN

The Group			The Bank	
2010	**2009**		**2010**	**2009**
41,787	68,669	Gain from foreign exchange trading	41,795	69,025
17,732	4,214	Unrealised translation gain	17,695	4,567
59,519	**72,883**	**Net gain on foreign exchange**	**59,490**	**73,592**

NOTE 12 STAFF COSTS

The Group			The Bank	
2010	**2009**		**2010**	**2009**
97,053	114,229	Salaries and wages	90,746	104,526
34,148	42,725	Social security expenses	32,163	39,721
131,201	**156,954**	**Total staff costs**	**122,909**	**144,247**

The following numbers of full-time personnel were employed by the Group's companies as of 31 December 2010 and 2009:

	2010	2009
AB SEB bankas	2,009	2,029
UAB SEB Gyvybės Draudimas	n/a	72
UAB SEB Lizingas	45	69
UAB SEB Investicijų Valdymas	13	14
UAB SEB Enskilda	9	9
UAB SEB Venture Capital	2	2
UAB Litectus	n/a	3
Total employees	**2,078**	**2,198**

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

NOTE 13 OTHER ADMINISTRATIVE EXPENSES

The Group			The Bank	
2010	**2009**		**2010**	**2009**
47,802	55,785	Rent and maintenance of premises	46,948	54,801
18,360	21,849	Depreciation property, plant and equipment	18,032	21,405
13,574	18,730	Audit and consulting expenses	13,099	18,541
20,747	17,218	Office equipment maintenance	19,984	16,449
12,568	12,907	Communication expenses	11,986	12,345
17,856	9,372	Payments for servicing organizations	16,415	8,374
7,100	7,386	Transport expenses	6,613	6,661
6,267	6,646	Advertising and promotion expenses	5,904	6,537
7,133	4,766	Amortisation of intangible assets	6,988	4,637
4,640	3,092	Other than income taxes	1,535	2,031
1,324	1,984	Depreciation of assets under operating lease	-	-
2,238	1,788	Employees training expenses	2,119	1,686
1,776	1,315	Insurance of banking operations	1,776	1,315
444	633	Charity and sponsorship	444	633
16,045	27,306	Other expenses	7,229	21,721
177,874	**190,777**	**Total other administrative expenses**	**159,072**	**177,136**

NOTE 14 INCOME TAX EXPENSE

The Group			The Bank	
2010	**2009**		**2010**	**2009**
-	1,090	Current year tax charge	-	-
(634)	672	Previous years related tax charge	(103)	926
2,534	(267,803)	Deferred tax credit	(14,260)	(185,368)
1,900	**(266,041)**	**Total income tax charge**	**(14,363)**	**(184,442)**

Previous years related tax charge accounted for in 2010 LTL (634) thousand for the Group and LTL (103) thousand for the Bank (2009: LTL 672 thousand for the Group and LTL 926 thousand for the Bank) represents adjustment updating profit tax payable figure estimated at year end.

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

The Group			The Bank	
2010	**2009**		**2010**	**2009**
(15,906)	(1,711,554)	Profit (loss) before tax	(26,421)	(1,730,627)
(2,386)	(342,310)	Tax calculated at a tax rate of 15% (2009: 20%)	(3,963)	(346,125)
(14,600)	(24,176)	Income not subject for tax	(18,582)	(21,821)
19,520	8,216	Expenses not deductible for tax purposes	8,285	123,621
-	91,557	Tax effect related to changes in tax rate	-	58,957
(634)	672	Correction of previous period income tax	(103)	926
-	-	Current year tax losses	-	-
1,900	**(266,041)**	**Total income tax charge**	**(14,363)**	**(184,442)**

For 2009 the income tax rate in Lithuania was 20 percent. For the year 2010 the income tax rate used is 15 percent.

NOTE 14 INCOME TAX EXPENSE (CONTINUED)

Deferred tax

The Group			The Bank	
2010	**2009**		**2010**	**2009**
277,245	15,279	Assets at 1 January	179,444	(403)
(2,534)	267,803	Income statement charge	14,260	185,368
-	(316)	Deferred tax change on discountinued operations	-	-
(1,050)	(5,521)	Recognized in shareholder's equity	(1,050)	(5,521)
273,661	**277,245**	**Asset (liablity) at 31 December**	**192,654**	**179,444**

As of 31 December 2010 and 2009 deferred income tax was calculated using 15 percent income tax rate.

The Group			The Bank	
2010	**2009**		**2010**	**2009**
		Deferred tax assets		
1,524	2,573	Revaluation of availabale for sales securities through equity	1,524	2,573
41	382	Revaluation of securities	-	382
40,019	33,313	Amortisation and depreciation	24,072	16,302
174	142	Accrued expense	-	-
44,252	73,055	Allowances	2,762	3,379
19	194	Deferred income	-	-
201,668	180,823	Tax loss carried forward	178,332	170,045
287,697	**290,482**	**Deferred tax assets, net**	**206,690**	**192,681**
		Deferred tax liability		
9,012	10,376	Revaluation of available for sale securities through income statement	9,012	10,376
15	-	Revaluation of trade securities	15	-
5,009	2,861	Revaluation of derivatives	5,009	2,861
14,036	**13,237**	**Deferred tax liability, net**	**14,036**	**13,237**

As of 31 December 2010 the deferred tax asset recognised by the Bank is LTL 178,332 thousands of which LTL 7,945 thousands related to taxable losses from transactions with securities and derivatives. Deferred tax assets accounted for in the Group's financial statements are: in the amount of LTL 22,438 thousand is related to tax losses of subsidiary AB SEB Lizingas; in the amount of LTL 186 thousand is related to tax losses of subsidiary UAB SEB Enskilda; in the amount of LTL 712 thousand is related to tax losses of subsidiary UAB SEB Venture capital, out of which taxable losses from transactions with securities and derivatives are LTL 267 thousands. Tax losses could be offset with taxable profits for unlimited time.

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

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

2010	**2009**		**2010**	**2009**
		Unused tax losses		
1,344,461	1,205,488	Tax loss carried forward, unlimited use	1,188,884	1,133,636
1,344,461	**1,205,488**	**Total unused tax losses**	**1,188,884**	**1,133,636**

As of 31 December 2010 and 2009 income tax effect relating to components of other comprehensive income was as follows:

2010	**2009**		**2010**	**2009**
3,956	20,362	Fair value gains on available for sale investment securities before tax amount	3,956	20,362
(1,050)	(5,521)	Tax (expenes) benefit	(1,050)	(5,521)
2,906	**14,841**	**Fair value gains on available for sale investment securities, net of tax amount**	**2,906**	**14,841**

NOTE 15 EARNINGS PER SHARE

	The Group	
	2010	2009
Net (loss) profit from continuing operations attributable to the shareholders	(17,806)	(1,445,513)
Weighted average number of shares (000s)	15,441	15,441
Basic and diluted earnings per share (LTL)	**(1.15)**	**(93.62)**

	The Group	
	2010	2009
Net profit from discontinued operations attributable to the shareholders	(189)	18,058
Weighted average number of shares (000s)	15,441	15,441
Basic and diluted earnings per share (LTL)	**(0.01)**	**1.17**

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

NOTE 16 BALANCES WITH THE CENTRAL BANKS

The Group			The Bank	
2010	2009		2010	2009
396,125	384,981	Obligatory reserves	396,125	384,981
131,133	-	Balance available for withdrawal	131,133	-
527,258	**384,981**	**Total balances with the Central Bank**	**527,258**	**384,981**

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 (4 percent in 2009) of average balance of deposits from public of previous month.

NOTE 17 DUE FROM BANKS

The Group			The Bank	
2010	2009		2010	2009
568,237	1,753,783	Current accounts	568,237	1,753,783
395,858	125,677	Overnight deposits	395,858	125,677
213,738	1,239,238	Term deposits	213,738	1,239,238
1,177,833	**3,118,698**	**Total**	**1,177,833**	**3,118,698**

NOTE 18 GOVERNMENT SECURITIES AVAILABLE FOR SALE

The Group		The Bank
63,612	**As of 1 January 2009**	62,987
15,920	Additions	15,920
(24,376)	Disposals	(24,348)
3,595	Interest income	3,568
7,067	Change in revaluation reserve in equity	7,067
65,818	**As of 1 January 2010**	65,194
110,636	Additions	110,636
(19,787)	Disposals	(19,759)
3,196	Interest income	3,169
1,139	Result of available for sale portfolio designated for fair value hedge	1,139
3,893	Change in revaluation reserve in equity	3,893
164,895	**As of 31 December 2010**	**164,272**

Vast majority of government securities are debt securities issued by the Government of the Republic of Lithuania for the terms of six months, one year or longer.

NOTE 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

2010	2009		2010	2009
493	649	Financial assets held for trading - equity instruments	493	649
45,240	18,554	Financial assets held for trading - securities of Government of Republic of Lithuania	45,240	18,554
29,325	29,000	Financial assets designated at fair value (at initial recognition): venture capital investments in associates	-	-
75,058	**48,203**	**Total financial assets designated at fair value**	**45,733**	**19,203**

The table below presents an analysis of trading debt securities by rating agency designation at 31 December 2010, based on Standard & Poor's ratings or their equivalent:

	Securities of Government of Republic of Lithuania
A- to A+	-
Lower than A-	45,240
Unrated	-
Total	**45,240**

NOTE 20 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Notional amount		Fair value	
31 December 2009	**Purchase**	**Sale**	**Assets**	**Liabilities**
Foreign exchange derivatives				
Currency forwards	381,353	388,403	1,479	6,600
Currency swaps	1,011,679	1,005,554	7,120	3,018
Put options	19,215	19,034	466	213
Call options	2,301	2,470	44	2
Interest rate derivatives				
Forward deposit	-	81,831	-	-
Futures	-	-	-	-
Interest rate swaps	3,095,111	3,095,111	104,660	104,657
Interest rate swaps for hedging purposes	1,387,925	1,387,925	-	157,053
Currency interest rate swaps	1,669,250	1,669,250	7,904	-
Interest rate options	2,677,398	2,677,398	10,362	10,362
Equity derivatives				
Index linked debt securities option	877,950	877,950	10,505	10,915
Derivative part of index linked deposit	-	-	104	-
Other derivatives				
Commodity options	46,272	46,272	10,839	10,823
Total derivatives assets/liabilities	**11,168,454**	**11,251,198**	**153,483**	**303,643**

NOTE 21 LOANS TO CREDIT AND FINANCIAL INSTITUTIONS

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

The Group			The Bank	
2010	2009		2010	2009
41,009	8,552	Lithuania	492,246	728,339
9,031	2,936	Belarus	9,031	2,936
2,588	-	Portugal	2,588	-
1,634	372	Great Britain	1,634	372
435	909	Croatia	435	909
260	-	Czech Republic	260	-
259	-	France	259	-
175	-	JAE	175	-
36	59	Germany	36	59
4	-	Denmark	4	-
3	-	Sweden	3	-
3	-	United States of America	3	-
1	1,537	Italy	1	1,537
1	-	Luxemburg	1	-
-	2,232	Russia	-	2,232
-	1,675	Netherlands	-	1,675
-	1,224	Austria	-	1,224
-	517	Finland	-	517
-	104	Bosnia And Herzegovina	-	104
55,439	**20,117**	**Total loans to credit and financial institutions**	**506,676**	**739,904**
(40)	(48)	Less impairment losses on loans	(40)	(391,048)
55,399	**20,069**	**Loans to credit and financial institutions, net**	**506,636**	**348,856**

Vast majority of loans to credit and financial institutions are not secured by any collateral. As of 31 December 2010 individually impaired loans amounted to LTL 360 thousand gross of impairment losses (no accrued interest). LTL 6 thousand were past due more than 60 days (2009: nill). The rest of the loans to credit and financial institutions are neither past due, nor impaired.

NOTE 22 LOANS TO CUSTOMERS

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

NOTE 22 LOANS TO CUSTOMERS (CONTINUED)

As of 31 December 2010 and 2009 loans to customers against collateral type were as follows:

31 December 2010	**Public**	**Property management**	**Other corporate**	**Mortgage loans**	**Other private individuals**	**Total**
Loans secured by mortgage, real property	-	1,905,660	1,283,735	5,588,679	692,630	9,470,704
Loans secured by deposits and securities	-	134,824	97,473	14,057	59,597	305,951
Loans secured by guarantees of government and banks	-	35,584	249,112	-	2,689	287,385
Accounts receivable and debtors	9,238	1,325,622	1,237,979	4,244	6,565	2,583,648
Inventories and equipment	-	3,332	553,007	64	9	556,412
Other collateral	-	493,784	746,812	839,140	41,581	2,121,317
Unsecured loans	483,617	82,576	774,921	74,414	403,712	1,819,240
Total loans to customers	**492,855**	**3,981,382**	**4,943,039**	**6,520,598**	**1,206,783**	**17,144,657**
31 December 2009						
Loans secured by mortgage, real property	-	2,181,445	1,669,466	5,870,155	740,230	10,461,296
Loans secured by deposits and securities	-	112,343	89,250	13,049	78,927	293,569
Loans secured by guarantees of government and banks	-	37,420	335,893	-	2,745	376,058
Accounts receivable and debtors	10,950	1,145,505	1,186,584	3,739	10,260	2,357,038
Inventories and equipment	-	8,429	671,108	42	21	679,600
Other collateral	-	626,391	951,490	728,357	35,415	2,341,653
Unsecured loans	536,408	40,100	967,416	56,027	544,186	2,144,137
Total loans to customers	**547,358**	**4,151,633**	**5,871,207**	**6,671,369**	**1,411,784**	**18,653,351**

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

As of 31 December 2010 loan with floating interest rate exceeded 68 percent of Bank's loan portfolio (2009: 74 percent).

As of 31 December 2010 included in the above amounts of loans secured by deposits and securities is reversed repo transactions equal to LTL 36,631 thousand (of which LTL 227 thousand of accrued interest) with securities in amount of LTL 53,819 thousand (2009: LTL 45,333 thousand and LTL 62,527 thousand respectively), which includes: equity (LTL 19,412 thousand), funds (LTL 2,478 thousand) bonds (LTL 23,846 thousand) and indexed linked bonds (LTL 7,033 thousand), SEB bonds (LTL 1,050 thousand) issued by the Bank.

NOTE 22 LOANS TO CUSTOMERS (CONTINUED)

As of 31 December 2010 and 2009 the Bank's loans to customers by customer category were as follows:

	2010	2009
Neither past due nor impaired:		
Property management	1,784,165	1,723,746
Other corporate	3,857,906	4,331,228
Public	492,855	479,659
Mortgage loans	5,816,666	6,074,639
Other private individuals	952,249	1,142,069
Total neither past due nor impaired	**12,903,841**	**13,751,341**
Past due but not impaired:		
Property management	144,902	684,131
Other corporate	254,547	720,716
Public	-	67,699
Mortgage loans	689,367	596,730
Other private individuals	215,264	246,037
Total past due but not impaired	**1,304,080**	**2,315,313**
Impaired loans:		
Property management	2,052,315	1,743,756
Other corporate	830,586	819,263
Public	-	-
Mortgage loans	14,565	-
Other private individuals	39,270	23,678
Total impaired loans	**2,936,736**	**2,586,697**
Total loans by customer category:		
Property management	3,981,382	4,151,633
Other corporate	4,943,039	5,871,207
Public	492,855	547,358
Mortgage loans	6,520,598	6,671,369
Other private individuals	1,206,783	1,411,784
Total loans by customer category	**17,144,657**	**18,653,351**
Less impairment losses on loans:		
Property management	(743,694)	(776,049)
Other corporate	(420,228)	(505,641)
Public	-	-
Mortgage loans	(199,332)	(106,395)
Other private individuals	(100,673)	(71,177)
Total impairment losses on loans by customer category	**(1,463,927)**	**(1,459,262)**
Loans to customers, net	**15,680,730**	**17,194,089**

NOTE 22 LOANS TO CUSTOMERS (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 2010						
3 – 7 risk classes	10,524	33,986	389,631	-	-	434,141
8 risk class	417,843	294,456	582,329	-	-	1,294,628
9 risk class	62,788	219,433	492,556	-	-	774,777
10 risk class	1,683	243,372	1,125,960	-	-	1,371,015
11 risk class	17	181,566	282,501	-	-	464,084
12 risk class	-	491,200	377,573	-	-	868,773
13 – 16 risk class	-	313,808	449,134	-	-	762,942
Homogeneous credits groups	-	6,344	158,222	5,816,666	952,249	6,933,481
Total neither past due nor impaired	**492,855**	**1,784,165**	**3,857,906**	**5,816,666**	**952,249**	**12,903,841**
31 December 2009						
3 – 7 risk classes	203,858	36,668	257,386	-	-	497,912
8 risk class	251,562	293,684	746,823	-	-	1,292,069
9 risk class	20,658	232,022	676,809	-	-	929,489
10 risk class	612	417,597	1,379,903	-	-	1,798,112
11 risk class	2,969	161,349	438,646	-	-	602,964
12 risk class	-	444,988	296,056	-	-	741,044
13 – 16 risk class	-	130,938	367,106	-	-	498,044
Homogeneous credits groups	-	6,500	168,499	6,074,639	1,142,069	7,391,707
Total neither past due nor impaired	**479,659**	**1,723,746**	**4,331,228**	**6,074,639**	**1,142,069**	**13,751,341**

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 2010 amounted to LTL 2,577 thousand (2009: LTL 2,305 thousand), of which LTL 1,500 thousand are impaired. Other loans granted by venture capital subsidiary are classified as neither past due nor impaired loans granted to other corporate and these are not secured.

The carrying amount of credits, that would otherwise be past due or impaired whose terms have been renegotiated, as of 31 December 2010 in the Bank was LTL 123,467 thousand (mortgage loans) and LTL 21,447 thousands (other private loans) (2009: LTL 94,025 thousand and LTL 26,589 thousand).

There are the following homogeneous groups used by the Group: mortgage loans, consumer loans, small corporate loans and credit cards). Loans to private individuals (consumer and mortgage backed loans) and small corporate are assessed using scoring methods at the moment loan is granted. Afterwards they are monitored according to their overdue status. Therefore, for credit risk management purposes, loans to private individuals neither past due nor impaired are viewed as standard loans.

NOTE 22 LOANS TO CUSTOMERS (CONTINUED)

As of 31 December 2010 and 2009 loans to customers past due but not impaired and fair value of collateral were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2010						
Loans past due but not impaired:						
past due up to 7 days	-	15,549	79,889	133,862	26,155	255,455
past due 8-30 days	-	888	19,946	112,315	21,101	154,250
past due 31 - 60 days	-	7,608	15,727	83,994	13,206	120,535
past due over 60 days	-	120,857	138,985	359,196	154,802	773,840
Total past due but not impaired	**-**	**144,902**	**254,547**	**689,367**	**215,264**	**1,304,080**
Fair value of collateral pledged	-	145,916	161,827	606,933	112,372	1,027,048
31 December 2009						
Loans past due but not impaired:						
past due up to 7 days	58,865	410,415	452,899	152,241	63,121	1,137,541
past due 8-30 days	8,834	43,025	15,776	151,618	47,557	266,810
past due 31-60 days	-	36,900	68,968	79,118	19,772	204,758
past due over 60 days	-	193,791	183,073	213,753	115,587	706,204
Total past due but not impaired	**67,699**	**684,131**	**720,716**	**596,730**	**246,037**	**2,315,313**
Fair value of collateral pledged	-	665,234	605,508	587,665	150,841	2,009,248

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 2010 were past due up to 7 days and instalments were paid during January 2011, amount LTL 215,353 thousand (2009: LTL 1,042,762 thousand), of which: public sector – the whole amount for year 2009, property management – LTL 11,195 thousand (2009: LTL 389,846 thousand), other corporate – LTL 75,555 thousand (2009: LTL 409,018 thousand), mortgage loans – LTL 107,555 thousand (2009: LTL 129,453 thousand), other private individuals – LTL 21,048 thousand (2009: LTL 55,580 thousand).

As of 31 December 2010 and 2009 impaired loans to customers and fair value of collateral were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2010						
Impaired loans	-	2,052,315	830,586	14,565	39,270	2,936,736
Fair value of collateral pledged	-	1,248,704	388,546	3,765	22,594	1,663,609
31 December 2009						
Impaired loans	-	1,743,756	819,263	-	23,678	2,586,697
Fair value of collateral pledged	-	983,429	328,329	-	4,924	1,316,682

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

NOTE 23 FINANCE LEASE RECEIVABLE

The Group			The Bank	
2010	**2009**		**2010**	**2009**
		Gross finance lease receivable		
848,237	1,071,877	-Falling due within one year	-	-
1,121,779	1,687,355	-Falling due from one to five years	-	-
251,233	424,270	-Falling due after five years	-	-
2,221,249	**3,183,502**	**Total gross finance lease receivable**	**-**	**-**
		Unearned finance income		
(55,823)	(82,757)	-Falling due within one year	-	-
(76,979)	(127,531)	-Falling due from one to five years	-	-
(10,230)	(24,625)	-Falling due after five years	-	-
(143,032)	**(234,913)**	**Total unearned finance income**	**-**	**-**
(383,526)	(444,704)	Less impairment losses on finance lease receivable	-	-
1,694,691	**2,503,885**	**Total finance lease receivable, net**	**-**	**-**

As of 31 December 2010 unguaranteed residual values amounted to LTL 1,922 thousand (2009: LTL 3,966 thousand).

As of 31 December 2010 finance lease contracts with floating interest rate reached 87.37 percent of leasing portfolio (2009: 86.22 percent).

As of 31 December 2010 and 2009 finance lease receivable by customer category were as follows:

The Group			The Bank	
2010	**2009**		**2010**	**2009**
		Neither past due nor impaired:		
1,132,272	1,517,531	Corporate	-	-
87,985	130,712	Private individuals	-	-
24,790	35,435	Other	-	-
1,245,047	**1,683,678**	**Total neither past due nor impaired**	**-**	**-**
		Past due but not impaired:		
157,098	250,938	Corporate	-	-
17,757	21,201	Private individuals	-	-
91	339	Other	-	-
174,946	**272,478**	**Total past due but not impaired**	**-**	**-**
		Impaired finance lease receivable:		
655,724	992,209	Corporate	-	-
2,500	224	Private individuals	-	-
-	-	Other	-	-
658,224	**992,433**	**Total impaired finance lease receivable**	**-**	**-**
		Total finance lease receivable by customer category:		
1,945,094	2,760,678	Corporate	-	-
108,242	152,137	Private individuals	-	-
24,881	35,774	Other	-	-
2,078,217	**2,948,589**	**Total finance lease receivable by customer category**	**-**	**-**
		Less impairment losses on finance lease receivable:		
(380,046)	(443,330)	Corporate	-	-
(3,480)	(1,374)	Private individuals	-	-
-	-	Other	-	-
(383,526)	**(444,704)**	**Total impairment losses on finance lease receivable**	**-**	**-**
1,694,691	**2,503,885**	**Finance lease receivable, net**	**-**	**-**

NOTE 23 FINANCE LEASE RECEIVABLE (CONTINUED)

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

	Corporate	Private individuals	Other	Total
31 December 2010				
4 – 7 risk classes	2,683	-	18,037	20,720
8 risk class	48,909	-	522	49,431
9 risk class	111,468	-	-	111,468
10 risk class	230,218	919	1,351	232,488
11 risk class	230,571	566	1,931	233,068
12 risk class	209,310	926	2,341	212,577
13-16 risk class	111,130	2,037	490	113,657
Homogeneous credits groups	187,983	83,537	118	271,638
Total neither past due nor impaired	**1,132,272**	**87,985**	**24,790**	**1,245,047**
31 December 2009				
4 – 7 risk classes	2,485	-	23,955	26,440
8 risk class	67,202	-	1,574	68,776
9 risk class	163,540	-	-	163,540
10 risk class	369,724	593	3,456	373,773
11 risk class	279,721	1,193	3,065	283,979
12 risk class	207,064	108	1,846	209,018
13-16 risk class	156,402	2,208	1,503	160,113
Homogeneous credits groups	271,393	126,610	36	398,039
Total neither past due nor impaired	**1,517,531**	**130,712**	**35,435**	**1,683,678**

The carrying amount of lease receivable, that would otherwise be past due or impaired whose terms have been renegotiated, as of 31 December 2010 in the Group was LTL 25,646 thousand (2009: nil).

As of 31 December 2010 and 2009 finance lease receivable past due but not impaired and fair value of collateral were as follows:

	Corporate	Private	Other	Total
31 December 2010				
Loans past due but not impaired:				
past due up to 30 days	119,297	8,858	91	128,246
past due 31 - 60 days	10,373	3,402	-	13,775
past due over 60 days	27,428	5,497	-	32,925
Total past due but not impaired	**157,098**	**17,757**	**91**	**174,946**
Fair value of collateral pledged	84,833	9,589	50	94,472
31 December 2009				
Loans past due but not impaired:				
past due up to 30 days	155,276	10,517	339	166,132
past due 31 - 60 days	26,815	3,864	-	30,679
past due over 60 days	68,847	6,820	-	75,667
Total past due but not impaired	**250,938**	**21,201**	**339**	**272,478**
Fair value of collateral pledged	250,247	21,143	338	271,728

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, except for real estate that is estimated at fair value.

NOTE 23 FINANCE LEASE RECEIVABLE (CONTINUED)

Impaired finance leases receivable amounts and fair value of collateral as of 31 December 2010 and 2009:

	Corporate	Private	Other	Total
31 December 2010				
Impaired loans	655,724	2,500	-	658,224
Fair value of collateral pledged	354,091	-	-	354,091
31 December 2009				
Impaired loans	992,209	224	-	992,433
Fair value of collateral pledged	821,773	260	-	822,033

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 2010				
Trucks and other vehicles	639,793	231	117	640,141
Real estate	645,239	8,855	378	654,472
Cars and mini-vans	272,072	98,295	23,977	394,344
Manufacturing equipment	223,341	30	-	223,371
Shop equipment	8,185	9	-	8,194
Construction equipment	69,891	97	-	69,988
Agricultural equipment	14,276	533	-	14,809
Office equipment	9,759	-	-	9,759
Medical equipment	5,089	148	378	5,615
Railway wagons and containers	51,681	-	-	51,681
Water transport means	683	-	-	683
Other assets	5,085	44	31	5,160
Total finance lease receivable by type of collateral	**1,945,094**	**108,242**	**24,881**	**2,078,217**
31 December 2009				
Trucks and other vehicles	977,249	408	273	977,930
Real estate	833,315	7,225	481	841,021
Cars and mini-vans	414,626	143,309	34,179	592,114
Manufacturing equipment	268,561	103	-	268,664
Shop equipment	18,163	14	-	18,177
Construction equipment	127,866	286	-	128,152
Agricultural equipment	28,064	499	-	28,563
Office equipment	17,925	6	44	17,975
Medical equipment	7,884	211	797	8,892
Railway wagons and containers	50,986	-	-	50,986
Water transport means	1,409	-	-	1,409
Other assets	14,630	76	-	14,706
Total finance lease receivable by type of collateral	**2,760,678**	**152,137**	**35,774**	**2,948,589**

NOTE 24 INVESTMENT SECURITIES

Loans and Receivable Reclassification

On 31 October 2008, the management of the Bank, based on amendments of IAS 39 and IFRS 7, decided to reclassify fixed interest income securities into *loans and receivables* category. Carrying value of the securities as of 31 Dec 2010 amounted to LTL 1,629,290 thousand, fair value is disclosed in table in *Accounting policies* part *Fair values*.

As of 31 December 2010 and for the year ended 31 December 2010 if the Group and the Bank had not reclassified financial assets to loans and receivables, revaluation reserve of financial assets in equity would have been lower by LTL 26.4 million (2009: LTL 120 million), and result from revaluation of securities in income statement would have been lower by LTL 2 million (2009: LTL 20 million) respectively.

Available for Sale, Held to Maturity and Loans and Receivables

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

The Group			The Bank	
2010	**2009**		**2010**	**2009**
		Securities available for sale:		
200	200	AB Panevezio Energija	200	200
1,076	137	SEB Equity Fund Ukraine	1,076	137
1,276	**337**	**Total investment securities available for sale**	**1,276**	**337**

Above securities are not rated.

The changes in investment securities for the year 2010 were as follows:

The Group				The Bank		
Available-for-sale	**Held to maturity**	**Loans and receivables**		**Available-for-sale**	**Held to maturity**	**Loans and receivables**
18,468	**12,989**	**1,750,534**	**1 January 2009**	**18,467**	**12,989**	**1,750,534**
(11)	(241)	-	Foreign exchange differences on monetary assets	(11)	(241)	-
351,138	-	-	Additions	351,138	-	-
(379,317)	-	(43,717)	Disposal	(379,316)	-	(43,717)
4,516	-	1,494	Interest income	4,516	-	1,494
-	-	11,201	Recognised result in income statement	-	-	11,201
5,543	-	-	Change in revaluation reserve in equity	5,543	-	-
337	**12,748**	**1,719,512**	**1 January 2010**	**337**	**12,748**	**1,719,512**
10	1,084	-	Foreign exchange differences on monetary assets	10	1,084	-
866	-	-	Additions	866	-	-
-	-	(61,329)	Disposal	-	-	(61,329)
-	-	(1,496)	Interest income	-	-	(1,496)
-	-	(27,397)	Recognised result in income statement	-	-	(27,397)
63	-	-	Change in revaluation reserve in equity	63	-	-
1,276	**13,832**	**1,629,290**	**31 December 2010**	**1,276**	**13,832**	**1,629,290**

NOTE 25 INVESTMENTS IN SUBSIDIARIES

The Group			The Bank	
2010	**2009**		**2010**	**2009**
		Securities accounted for under cost method:		
-	-	UAB SEB Venture Capital	25,000	25,000
-	-	UAB SEB Investicijų Valdymas	9,900	9,900
-	-	UAB SEB Enskilda	3,716	3,716
-	-	AB SEB Lizingas	83,000	-
-	**-**	**Total investments in subsidiaries**	**121,616**	**38,616**

NOTE 25 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Continued losses of AB SEB Lizingas triggered impairment tests of cost of investment into this subsidiary. As of 31 December 2010, recoverable amount was estimated using fair value less cost calculations. Net assets of AB SEB Lizingas were adjusted by fair value adjustments of subsidiary's assets that are not carried at fair value, having deducted related costs to sell. The test showed that recoverable amount of investment into leasing operations is LTL 83,000 thousand. No value-in-use calculations were performed because could not be estimated reliably.

As of 31 December 2009, net assets of this subsidiary were negative and cost of investment was reduced to zero value.

Changes of investment in AB SEB Lizingas are presented below:

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

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 2010 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 2010 are consolidated in these financial statements.

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.

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

NOTE 25 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

On 13 January 2010 100% of subsidiary shares UAB SEB Gyvybės Draudimas were sold to SEB Trygg Liv Holding AB, which is a part of SEB Group Companies in Sweden, for the amount of LTL 69,000 thousand.

UAB SEB Gyvybės Draudimas

Net cash flow from disposal of subsidiary

	31 December 2009
Total assets of the disposal group (Note 44)	415,565
Consolidation adjustments	8,995
current deposits held in the Bank	4,076
term deposits held in the Bank	2,763
issued bonds of AB SEB Bank aquired by UAB SEB Gyvybės Draudimas	2,013
other assets	143
Total liabilities of the disposal group (Note 44)	385,335
Consolidation adjustments	362
Fair value of net assets	**38,863**
Sales price	69,000
Profit from disposal of subsidiary	**30,137**
Cash and cash equivalents in subsidiary being sold	4,296
Net cash flow from disposal of subsidiary	**64,704**

On 26 February 2010 100% of subsidiary shares UAB Litectus were sold to Warehold B.V., which is a part of SEB Group Companies in Sweden, for the amount of LTL 3,063 thousands.

UAB Litectus

Net cash flow from disposal of subsidiary

	26 February 2010
Property, plant and equipment	13
Other assets, net of impairment losses	3,070
Other liabilities and provisions	20
Net assets of the disposal group	**3,063**
Sales price	3,063
Profit on disposal of subsidiary	**-**
Cash and cash equivalents in subsidiary being sold	2,699
Net cash flow from disposal of subsidiary	**364**

NOTE 26 INTANGIBLE FIXED ASSETS

As of 31 December 2010 and 2009 intangible assets of the Group and the Bank consisted of the following:

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	123,565	293,115	31 December 2008	169,550	119,427	288,977
-	103,671	103,671	Additions	-	103,372	103,372
-	(4,925)	(4,925)	Disposals	-	(4,331)	(4,331)
-	(2,537)	(2,537)	Transfer to disposable group classified as held for sale	-	-	-
169,550	**219,774**	**389,324**	**31 December 2009**	**169,550**	**218,468**	**388,018**
			Accumulated amortisation			
-	52,877	52,877	31 December 2008	-	49,399	49,399
-	4,766	4,766	Charge for the year	-	4,637	4,637
-	(4,926)	(4,926)	Amorisation of disposals			
169,550	-	169,550	Impairment charge for the year	169,550	-	169,550
-	(1,989)	(1,989)	Transfer to disposable group classified as held for sale	-	(4,332)	(4,332)
169,550	**50,728**	**220,278**	**31 December 2009**	**169,550**	**49,704**	**219,254**
			Costs			
-	58,575	58,575	Additions	-	58,533	58,533
-	(4,669)	(4,669)	Disposals	-	(4,669)	(4,669)
169,550	**273,680**	**443,230**	**31 December 2010**	**169,550**	**272,332**	**441,882**
			Accumulated amortisation and impairment			
-	7,133	7,133	Charge for the year	-	6,988	6,988
-	(4,669)	(4,669)	Amorisation of disposals	-	(4,669)	(4,669)
-	71,755	71,755	Impairment charge for the year	-	71,755	71,755
169,550	**124,947**	**294,497**	**31 December 2010**	**169,550**	**123,778**	**293,328**
			Net book value			
-	**169,046**	**169,046**	**31 December 2009**	**-**	**168,764**	**168,764**
-	**148,733**	**148,733**	**31 December 2010**	**-**	**148,554**	**148,554**

Goodwill is allocated to Baltic Division segment. 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.

As of 30 June 2009 the key assumptions used for value-in-use calculations to test the recoverability of goodwill: management projections for following three years approximately 5 percent growth and sustainable growth at the rate 3 percent; discount rate used – 13 percent. Due to significant decline in the Bank's projections of the upcoming three-year period the goodwill net present value calculated using discounted cash flow method was lower then net book value of goodwill as of 30 June 2009 and as a result impairment of goodwill was determined.

As of 30 June 2009 the Management of the Bank made a decision to recognised impairment loss of goodwill in the amount of LTL 169,550 thousands. The full amount of impairment loss on goodwill is recognised in the Income statement for the year ended 31 December 2009.

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

The ongoing global crisis had continued impact on Bank's and Group's results in 2010. This has triggered testing of PP&E and intangible assets for impairment. Impairment has been tested on the Baltic Division segment level. Recoverable amount estimated using value-in-use calculations. The following assumptions used: weigthed average cost of capital (post tax) of 11.80%, average growth of segment's operating income for the 2011-2013 of 9%, and sustainable growth rate of 2%. Results show that write down of LTL 71,755 thousand is needed. All amount of impairment has been allocated to intangible asset (new core banking platform), as management is confident that fair values of PP&E would be approximated by their carrying amounts. Should discount rate fall to 11.40%, ceteris paribus, no impairment charge would be needed. Should growth rate to perpetuity increase up to 2.7%, ceteris paribus, no impairment charge would be needed.

NOTE 27 PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2010 and 2009 property, plant and equipment of the Group consisted of the following:

	The Group			
	Buildings and other real estate	**Computer equipment**	**Office equipment and other PPE**	**Total property, plant and equipment**
Cost				
31 December 2008	14,991	128,663	64,186	207,840
Additions	1,379	14,071	4,238	19,688
Disposals, write-offs and reclassifications	(4,734)	(23,512)	(12,847)	(41,093)
Transfer to disposable group classified as held for sale	-	(744)	(107)	(851)
31 December 2009	**11,636**	**118,478**	**55,470**	**185,584**
Accumulated depreciation				
31 December 2008	4,873	98,722	39,244	142,839
Charge for the year	2,389	10,523	8,937	21,849
Transfer to disposable group classified as held for sale	(2,435)	(23,006)	(9,515)	(34,956)
Depreciation of disposals, write-offs and reclassifications	-	(587)	(70)	(657)
31 December 2009	**4,827**	**85,652**	**38,596**	**129,075**
Cost				
Additions	-	4,933	3,331	8,264
Disposals, write-offs and reclassifications	-	(25,910)	(7,844)	(33,754)
Transfer to disposable group calssified as held for sale	-	-	-	-
31 December 2010	**11,636**	**97,501**	**50,957**	**160,094**
Accumulated depreciation				
Charge for the year	1,528	9,744	7,088	18,360
Depreciation of disposals, write-offs and reclassifications	-	(25,867)	(7,478)	(33,345)
31 December 2010	**6,355**	**69,529**	**38,206**	**114,090**
Net book value				
31 December 2009	**6,809**	**32,826**	**16,874**	**56,509**
31 December 2010	**5,281**	**27,972**	**12,751**	**46,004**

NOTE 27 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As of 31 December 2010 and 2009 property, plant and equipment of the Bank consisted of the following:

	The Bank			
	Buildings and other real estate	**Computer equipment**	**Office equipment and other PPE**	**Total property, plant and equipment**
Cost				
31 December 2008	14,991	126,849	62,154	203,994
Additions	1,379	14,023	4,094	19,496
Disposals, write-offs and reclassifications	(4,734)	(23,081)	(11,712)	(39,527)
31 December 2009	**11,636**	**117,791**	**54,536**	**183,963**
Accumulated depreciation				
31 December 2008	4,873	97,399	38,490	140,762
Charge for the year	2,389	10,345	8,671	21,405
Depreciation of disposals, write-offs and reclassifications	(2,435)	(22,595)	(9,021)	(34,051)
31 December 2009	**4,827**	**85,149**	**38,140**	**128,116**
Cost				
Additions	-	4,799	2,961	7,760
Disposals, write-offs and reclassifications	-	(25,715)	(7,541)	(33,256)
31 December 2010	**11,636**	**96,875**	**49,956**	**158,467**
Accumulated depreciation				
Charge for the year	1,528	9,641	6,863	18,032
Depreciation of disposals, write-offs and reclassifications	-	(25,686)	(7,284)	(32,970)
31 December 2010	**6,355**	**69,104**	**37,719**	**113,178**
Net book value				
31 December 2009	**6,809**	**32,642**	**16,396**	**55,847**
31 December 2010	**5,281**	**27,771**	**12,237**	**45,289**

NOTE 28 ASSETS UNDER OPERATING LEASE

As of 31 December 2010 and 2009 assets under operating lease of the Group consisted of the following:

	The Group		
	Vehicles	**Office equipment and other**	**Total assets under operating lease**
Cost			
31 December 2009	10,016	432	10,448
Additions	-	-	-
Disposals	(2,867)	(340)	(3,207)
Transfer (to) leasing portfolio	(82)	32	(50)
31 December 2010	**7,067**	**124**	**7,191**
Accumulated depreciation			
31 December 2009	5,741	432	6,173
Charge for the year	1,321	3	1,324
Depreciation of disposals	(2,559)	(328)	(2,887)
Depreciation of transfers (to) leasing portfolio	-	-	-
31 December 2010	**4,503**	**107**	**4,610**
Impairment			
31 December 2009	-	-	-
Impairment charge (reversal)	-	-	-
31 December 2010	**-**	**-**	**-**
Net book value			
31 December 2009	**4,275**	**-**	**4,275**
31 December 2010	**2,564**	**17**	**2,581**

NOTE 29 INVESTMENT PROPERTY

As of 31 December 2010 and 2009 investment property of the Group and the Bank consisted of the following:

The Group		The Bank
	Costs	
147,281	31 December 2009	1,599
(61,715)	Transfers (to) foreclosed assets	-
39,984	Transfers from foreclosed assets	-
2	Additions	-
(30,069)	Disposals	-
95,483	**31 December 2010**	**1,599**
	Accumulated depreciation and impairment	
136	31 December 2009	-
506	Depreciation for the year	64
(69)	Disposals	-
573	**31 December 2010**	**64**
	Impairment loss	
84,914	31 December 2009	-
(400)	Reversal of impairment loss in the income statement	-
(14,425)	Reversal of impairment loss attributable to disposed assets	-
(44,192)	Impairment loss on of transfers to foreclosed assets	-
17,539	Impairment loss on of transfers from foreclosed assets	-
43,436	**31 December 2010**	**-**
	Net book value	
62,231	**31 December 2009**	**1,599**
51,474	**31 December 2010**	**1,535**

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

NOTE 30 OTHER ASSETS, NET

The Group 2010	The Group 2009		The Bank 2010	The Bank 2009
		Financial other assets		
775	87,205	Advances paid for assets to be leased	-	-
2,131	18,682	Amounts receivable for cash exported	2,131	18,682
66,908	62,613	Amounts of executed bank transfers not yet settled against customers' accounts	66,908	62,613
475	1,198	Amounts outstanding for clearance	475	1,198
11,905	13,010	Accrued income	6,918	4,659
764	811	Current lease receivable	-	-
2,134	2,031	Other financial assets	2,134	2,031
85,092	**185,550**	**Total other financial assets**	**78,566**	**89,183**
		Non financial other assets		
199,486	4,180	Assets not yet leased	-	-
11,790	13,149	Deferred expenses	11,519	12,805
10,540	49,277	Tax receivables	8,690	40,702
9,668	14,488	Other assets, net of impairment allowances	10,612	14,301
231,484	**81,094**	**Total non financial other assets**	**30,821**	**67,808**
316,576	**266,644**	**Total other assets, net**	**109,387**	**156,991**

NOTE 31 AMOUNTS OWED TO CREDIT AND FINANCIAL INSTITUTIONS

The Group 2010	The Group 2009		The Bank 2010	The Bank 2009
1,587,715	2,655,888	Falling due within one year	1,554,056	2,509,094
7,707,900	10,994,835	Falling due after one year	6,361,308	8,750,515
9,295,615	**13,650,723**	**Total amounts owed to credit and financial institutions**	**7,915,364**	**11,259,609**

NOTE 32 DEPOSITS FROM THE PUBLIC

The Group 2010	The Group 2009		The Bank 2010	The Bank 2009
6,514,840	4,767,893	Current and demand deposits	6,516,173	4,768,336
3,039,878	4,799,281	Term deposits falling due within one year	3,039,878	4,802,781
88,623	102,615	Term deposits falling due after one year	88,623	102,615
9,643,341	**9,669,789**	**Total deposits from the public**	**9,644,674**	**9,673,732**

The Group 2010	The Group 2009		The Bank 2010	The Bank 2009
4,111,230	3,887,476	Corporate customers' deposits and accounts	4,112,563	3,891,419
5,532,111	5,782,313	Individual customers' deposits and accounts	5,532,111	5,782,313
9,643,341	**9,669,789**	**Total deposits from the public**	**9,644,674**	**9,673,732**

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

As of 31 December 2010 the Group has pledged own issued securities amounting to LTL 20 million (2009: LTL 84 million) as security in borrowings transactions and LTL 70 thousand (2009: LTL 45 thousand) equity securities.

NOTE 33 SUBORDINATED LOANS

The Group			Interest	The Bank	
2010	2009		rate %	2010	2009
86,474	86,398	EUR 25 m subordinated loan due 2015	EURIBOR+2.3%	86,474	86,398
138,639	138,580	EUR 40 m subordinated loan due 2016	EURIBOR+0.8%	138,639	138,580
69,129	69,116	EUR 20 m subordinated loan due 2016	EURIBOR+0.75%	69,129	69,116
145,903	145,833	EUR 42 m subordinated loan due 2016	EURIBOR+0.75%	145,903	145,833
157,027	157,268	EUR 45 m subordinated loan due 2017	EURIBOR+0.75%	157,027	157,268
597,172	**597,195**	**Total subordinated loans**		**597,172**	**597,195**

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

NOTE 34 DEBT SECURITIES IN ISSUE

The Group			Interest rate %		The Bank	
2010	2009		2010	2009	2010	2009
		Debt securities in issue:				
		Debt securities issued in 2006:				
-	23,799	index linked debt securities due 2010	-	-	-	23,799
		Debt securities issued in 2007:				
-	235,720	index linked debt securities due 2010	-	-	-	235,720
44,607	44,965	index linked debt securities due 2011	-	-	44,607	45,748
		Debt securities issued in 2008:				
-	18,564	2 year debt securities due 2010	-	6.4	-	18,564
-	21,417	index linked debt securities due 2010	-	-	-	21,417
48,486	48,507	index linked debt securities due 2011	-	-	48,486	48,507
924	822	index linked debt securities due 2012	-	-	924	822
		Debt securities issued in 2009:				
-	1,545	1 year debt securities due 2010	-	9	-	1,545
-	41,601	1 year debt securities due 2010	-	8.7	-	42,831
-	630	1 year debt securities due 2010	-	8.5	-	630
-	9,086	1 year debt securities due 2010	-	10	-	9,086
-	55,451	1 year debt securities due 2010	-	9.8	-	55,451
-	59,760	1 year debt securities due 2010	-	9.5	-	59,760
-	73,442	1 year debt securities due 2010	-	9.1	-	73,442
9,994	4,592	2 year debt securities due 2011	8	8	9,994	4,592
1,653	1,522	index linked debt securities due 2011	-	-	1,653	1,522
38,939	37,778	index linked debt securities due 2012	-	-	38,939	37,778
20,153	18,640	index linked debt securities due 2013	-	-	20,153	18,640
		Debt securities issued in 2010:				
565	-	2 year debt securities due 2011	2	-	565	-
5,071	-	2 year debt securities due 2011	2.1	-	5,071	-
2,061	-	2 year debt securities due 2011	2.6	-	2,061	-
9,910	-	2 year debt securities due 2011	3.95	-	9,910	-
9,926	-	2 year debt securities due 2011	5.5	-	9,926	-
3,395	-	index linked debt securities due 2011	-	-	3,395	-
8,800	-	index linked debt securities due 2012	-	-	8,800	-
77,345	-	index linked debt securities due 2013	-	-	77,345	-
20,013	-	index linked debt securities due 2014	-	-	20,013	-
361,335	-	undated subordinated notes	5.546	-	361,335	-
663,177	**697,841**	**Total debt securities in issue**			**663,177**	**699,854**

On 10 March 2010, the Board of the Bank of Lithuania granted a permission to the Bank to include the issue of undated subordinated notes worth EUR 100 million (LTL 345.28 million) into the bank's Tier II capital. The issue of undated subordinated notes has been acquired by the parent bank.

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

The Group			The Bank	
2010	**2009**		**2010**	**2009**
		Other financial liabilities		
11,616	12,023	Amounts outstanding for clearance	11,616	12,023
10,806	7,945	Prepayments for finance lease	-	-
27,802	4,194	Accounts payable for assets purchased under finance lease	-	-
13,925	-	Amounts of executed bank transfers not yet settled against customers' accounts	13,925	-
14,332	21,088	Provisions for off balance sheet items	14,332	21,088
12,756	-	Factoring payables	12,756	-
3,738	1,781	Other financial liabilities	3,738	1,781
94,975	**47,031**	**Total other financial liabilities**	**56,367**	**34,892**
		Non financial liabilities		
3,967	1,675	Accrued taxes	952	-
19,330	16,436	Vacation reserve accrual	18,638	15,448
6,368	8,100	Prepayments for operating lease	-	-
10,368	5,397	Other liabilities	10,011	5,398
40,033	**31,608**	**Total other non financial liabilities**	**29,601**	**20,846**
135,008	**78,639**	**Total other liabilities and provisions**	**85,968**	**55,738**

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.

The Group			The Bank	
2010	**2009**		**2010**	**2009**
		Accrued financial liabilities		
28,877	42,428	Accrued expenses	25,194	40,157
		Deferred non financial liabilities		
996	1,601	Deferred income	996	1,601

NOTE 36 SHAREHOLDERS' EQUITY

As of 31 December 2010 the share capital of the Bank consisted of 15,441,423 ordinary shares with par value LTL 67 each (2009: LTL 67). All issued shares are fully paid. Reserve capital, which as of 31 December 2010 amounted to LTL 2,200 thousand (2009: LTL 2,200 thousand) for the Bank and LTL 1,034 thousand (2009: LTL 1,034 thousand) for the Group in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses or used for the increase of share capital.

In December 2006 SEB started squeeze-out process in order to purchase the outstanding shares in the bank for the price of LTL 266.95 per share, the price been approved by Securities commission in November 2006. On 22 November 2010, the Bank announced that on 19 November 2010, the squeeze-out procedure was finalized. 100 percent of shares of the Bank is owned by company Skandinaviska Enskilda Banken AB (publ), registered in the Kingdom of Sweden.

As of 31 December 2010 legal reserve was LTL 163,221 thousand (2009: LTL 133,151 thousand) for the Bank and LTL 165,425 thousand (2009: LTL 135,160 thousand) for the Group, in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses.

NOTE 36 SHAREHOLDERS' EQUITY (CONTINUED)

Financial assets revaluation reserve represents available for sale securities revaluation gain. The financial assets reserve movement in 2010 amount consists of the following:

	The Group	The Bank
Government securities – change in revaluation reserve (note 18)	3,893	3,893
Government securities - amortization of revaluation reserve to income statement	3,025	3,025
Equity securities – change in revaluation reserve (note 24)	63	63
Tax recognised in equity (note 14)	(1,050)	(1,050)
Net change in available for sale investments, net of deferred tax	**5,931**	**5,931**

As of 31 December 2010 general and other reserves represent general reserve for possible losses in amount of LTL 9,338 thousand (2009: LTL 9,338 thousand), that can only be offset with the current losses and share based compensation reserve in amount of LTL 1,508 thousand (2009: LTL 440 thousand), that will be paid in the share capital equivalent of Skandinaviska Enskilda Banken AB (publ) Class A shares to employees participating in the share based premium program.

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

As of 31 December 2010 the major shareholder is as follows:

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

NOTE 37 ASSETS UNDER MANAGEMENT

The Group			The Bank	
2010	**2009**		**2010**	**2009**
752,300	483,155	Private individuals and corporate customers' assets under management	-	-
204,399	195,885	Pillar two conservative pension fund (SEB Pension 1)	-	-
853,877	726,568	Pillar two balanced pension fund (SEB Pension 2)	-	-
114,298	79,217	Pillar two equity pension fund (SEB Pension 3)	-	-
13,826	12,817	Conservative voluntary pension fund (SEB Pension 1 Plus)	-	-
51,205	41,175	Balanced voluntary pension fund (SEB Pension 2 Plus)	-	-
-	-	CIS equity fund	-	-
-	-	CIS bond fund	-	-
134,632	110,854	World market fund of funds	-	-
112,394	90,810	SEB equity fund of funds	-	-
2,236,931	**1,740,481**	**Total assets under management**	**-**	**-**

All assets management services are performed by UAB SEB Investicijų Valdymas. For the year ended 31 December 2010 the management fee for funds management amounted to LTL 13,244 thousand (2009: LTL 11,370 thousand) and it is included in '*Other income, net*' line in the income statement.

NOTE 38 ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY

The relationship between the maturity of assets and liabilities is indicative of liquidity risk and the extent to which it may be necessary to raise funds to meet outstanding obligations. The table below allocates assets and liabilities to maturity groups based on the time remaining from the balance sheet date to the contractual maturity or actual maturity, if known earlier. The Bank's liquidity analysis as of 31 December 2010:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Assets							
Cash in hand	428,427	-	-	-	-	-	428,427
Balances with the Central Banks	527,258	-	-	-	-	-	527,258
Financial instruments – available for sale, designated at fair value, loans and receivables	22,776	92,116	983	1,478,522	244,405	493	1,839,295
Derivative financial instruments	35,755	8,596	13,778	50,037	125,745	-	233,911
Loans to credit and financial institutions and due from banks, net	1,171,926	7,742	213,501	20,232	271,064	4	1,684,469
Loans to customers, net	931,200	1,030,296	1,941,013	2,758,440	7,976,869	1,042,912	15,680,730
Investment securities – available for sale	-	-	-	-	-	1,276	1,276
Investment securities – held to maturity	-	-	-	-	13,832	-	13,832
Investments in subsidiaries	-	-	-	-	-	121,616	121,616
Intangible fixed assets	-	-	-	-	-	148,554	148,554
Property, plant and equipment	-	-	-	-	-	45,289	45,289
Investment property	-	-	-	-	-	1,535	1,535
Other assets, net	542	7	29	2	-	301,490	302,070
Assets classified as held for sale and discountinued operations	-	-	-	-	-	-	-
Total assets	**3,117,884**	**1,138,757**	**2,169,304**	**4,307,233**	**8,631,915**	**1,663,169**	**21,028,262**
Liabilities and shareholders' equity							
Amounts owed to the Central Banks	38	-	-	-	-	-	38
Amounts owed to credit and financial institutions	901,376	51,777	600,903	5,760,722	600,586	-	7,915,364
Derivative financial instruments	34,233	9,999	13,818	158,375	118,002	-	334,427
Deposits from the public	8,196,476	728,282	631,293	62,113	26,510	-	9,644,674
Subordinated loans	-	2,405	885	-	593,882	-	597,172
Debt securities in issue	81,976	20,570	33,121	146,162	20,013	361,335	663,177
Other liabilities and provisions	89,603	8,984	1,875	304	11,392	-	112,158
Equity	-	-	-	-	-	1,761,252	1,761,252
Total liabilities and shareholders' equity	**9,303,702**	**822,017**	**1,281,895**	**6,127,676**	**1,370,385**	**2,122,587**	**21,028,262**
Net assets (liabilities) before off balance sheet items	(6,185,818)	316,740	887,409	(1,820,443)	7,261,530	(459,418)	-
Off balance sheet items (net)	2,045,322	69,754	32,696	39,701	53,592	1,538	2,242,603
Net assets (liabilities)	**(8,231,140)**	**246,986**	**854,713**	**(1,860,144)**	**7,207,938**	**(460,956)**	**(2,242,603)**

The Bank's liquidity analysis as of 31 December 2009:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Total assets	5,571,601	1,354,878	1,803,423	4,089,554	9,737,279	1,495,855	24,052,590
Total liabilities and shareholders' equity	9,654,341	1,671,910	1,419,027	7,447,415	2,435,126	1,424,771	24,052,590
Off balance sheet items (net)	1,089,110	163,642	407,431	86,415	293,528	233,568	2,273,694
Net assets (liabilities)	**(5,171,850)**	**(480,674)**	**(23,035)**	**(3,444,276)**	**7,008,625**	**(162,484)**	**(2,273,694)**

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

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

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Assets							
Cash in hand	428,427	-	-	-	-	-	428,427
Balances with the Central Banks	527,258	-	-	-	-	-	527,258
Financial instruments – available for sale, designated at fair value, loans and receivables	22,776	92,116	1,280	1,478,847	244,406	29,818	1,869,243
Derivative financial instruments	35,755	8,596	13,778	50,037	125,745	-	233,911
Loans to credit and financial institutions and due from banks, net	1,163,120	7,742	42,020	20,232	118	-	1,233,232
Loans to customers, net	931,197	1,030,296	1,929,589	2,758,440	7,976,869	1,042,916	15,669,307
Financial lease receivables, net of impairment losses	234,072	150,232	262,729	644,076	403,582	-	1,694,691
Investment securities – available for sale	-	-	-	-	-	1,276	1,276
Investment securities – held to maturity	-	-	-	-	13,832	-	13,832
Intangible fixed assets	-	-	-	-	-	148,733	148,733
Property, plant and equipment	-	-	-	-	-	48,585	48,585
Investment property	-	-	-	-	-	51,474	51,474
Other assets, net	201,151	2,887	1,738	132	43	431,909	637,860
Assets classified as held for sale and discountinued operations	-	-	-	-	-	-	-
Total assets	**3,543,756**	**1,291,869**	**2,251,134**	**4,951,764**	**8,764,595**	**1,754,711**	**22,557,829**
Liabilities and shareholders' equity							
Amounts owed to the Central Banks	38	-	-	-	-	-	38
Amounts owed to credit and financial institutions	784,871	61,383	741,461	7,107,314	600,586	-	9,295,615
Derivative financial instruments	34,233	9,999	13,818	158,375	118,002	-	334,427
Deposits from the public	8,195,143	728,282	631,293	62,113	26,510	-	9,643,341
Subordinated loans	-	2,405	885	-	593,882	-	597,172
Debt securities in issue	81,976	20,570	33,121	146,162	20,013	361,335	663,177
Other liabilities and provisions	129,608	11,198	6,220	3,871	11,418	2,566	164,881
Equity	-	-	-	-	-	1,859,178	1,859,178
Total liabilities and shareholders' equity	**9,225,869**	**833,837**	**1,426,798**	**7,477,835**	**1,370,411**	**2,223,079**	**22,557,829**
Net assets (liabilities) before off balance sheet items	(5,682,113)	458,032	824,336	(2,526,071)	7,394,184	(468,368)	-
Off balance sheet items (net)	1,900,780	275,832	32,696	39,701	53,592	1,538	2,304,139
Net assets (liabilities)	**(7,582,893)**	**182,200**	**791,640**	**(2,565,772)**	**7,340,592**	**(469,906)**	**(2,304,139)**

The Group's liquidity analysis as of 31 December 2009:

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Unclear maturity	Total
Total assets	6,197,996	1,591,833	2,170,085	5,016,625	10,251,355	1,724,423	26,952,317
Total liabilities and shareholders' equity	9,865,248	1,568,611	1,856,579	9,281,309	2,849,462	1,531,108	26,952,317
Off balance sheet items (net)	1,191,638	163,784	286,408	289,897	211,697	233,568	2,376,992
Net assets (liabilities)	**(4,858,890)**	**(140,562)**	**27,098**	**(4,554,581)**	**7,190,196**	**(40,253)**	**(2,376,992)**

	The Group		The Bank	
	2010	**2009**	**2010**	**2009**
Liquidity ratio	**37.36%**	**64.02%**	**35.88%**	**60.31%**

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

As of 31 December 2010 and 2009 the Group's and the Bank's liquidity ratio exceeded the statutory minimum required by the Bank of Lithuania (30 percent).

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

Tables above show contractual/actual maturities. By 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 39 CAPITAL ADEQUACY

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

- Tier 1 capital: share capital (net of any book values of the treasury shares), reserve capital, retained earnings;
- Tier 2 capital: qualifying subordinated loan capital, general and other reserves, qualifying current year profit;
- Deductible amounts: the book value of intangible assets; investments in credit and financial institutions above 10 percent; 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 Group and the Bank for the years ended 31 December 2010:

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

The table below summarises the components of capital adequacy calculation and the ratios of the Group and the Bank for the years ended 31 December 2009:

	The Group	**The Bank**
Tier 1 capital (less intangible assets)	1,358,258	1,251,826
Tier 2 capital	669,409	656,751
of which IRB provision excess	75,527	62,869
Less deductible investments	-	(21,436)
Less IRB provision shortfall	-	-
Risk weighted assets	17,515,212	14,585,462
of which risk weighted assets due to transitional capital requirements	-	-
Capital adequacy ratio before transitional capital requirements according to Basel II requirements as of 31 December 2009	**11.58%**	**12.94%**
Capital adequacy ratio according to Basel II requirements as of 31 December 2009	**11.58%**	**12.94%**

NOTE 40 NET FOREIGN CURRENCY POSITION

The following table presents the equivalent amount in thousands of LTL of the net position of assets and liabilities denominated in currencies other than LTL and EUR as of 31 December 2010:

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

As of 31 December 2009:

The Group				The Bank	
Position	**Percentage of capital**	**Currency**	**Rates**	**Position**	**Percentage of capital**
2,099,150	103.53	EUR	3.4528	2,038,827	108.04
(35,888)	(1.77)	U.S. Dollars (USD)	2.4052	(36,440)	(1.93)
28	-	Canadian Dollars (CAD)	2.2955	28	0.01
415	0.02	Russian Rubles (RUB)	0.79465	415	0.02
1,488	0.07	Estonian Crone (EEK)	0.22067	1,488	0.08
4,244	0.21	The remaining long positions	N/A	3,192	0.16
(259)	(0.01)	The remaining short positions	N/A	(259)	(0.02)
36,147	**1.78**	**Open short position**	**N/A**	**36,699**	**1.95**

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

As of 31 December 2010 and 2009 the Group complied with the foreign currency open position requirements set forth by the Bank of Lithuania.

NOTE 41 INTEREST RATE RISK MANAGEMENT

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

Interest rate sensitivity	**2010**	**2009**
Effect to net interest income (ΔNII)	57.9	27.3
Effect to the market value of shareholders equity (delta 1%)	22.6	38.3
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Bank)	2.3	10.7
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Group)	2.1	10

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

NOTE 41 INTEREST RATE RISK MANAGEMENT (CONTINUED)

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

The Group			The Bank	
2010	**2009**		**2010**	**2009**
8,314	31,534	Interest rate risk (stand-alone)	8,073	31,713
25	1,486	Foreign exchange risk (stand-alone)	25	1,500
149	220	Equity price risk (stand-alone)	149	220
(173)	(1,882)	Diversification effect	(172)	(1,905)
8,315	**31,358**	**Total**	**8,075**	**31,528**

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

Market risk exposure (VaR) significantly decreased in 2010 due to lower volatility of market parameters (interest rates, share prices, currency rates), lower business volumes and decrease in foreign currency positions.

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

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

The table below provides the Group's interest rate gap analysis as of 31 December 2009:

Maturity	**Up to 1 year**	**1 - 3 year**	**Over 3 years**	**Total**
Assets				
Net loans	13,316,373	560,512	3,274,206	17,151,091
Finance lease receivable, net	2,358,224	112,238	27,141	2,497,603
Debt securities	19,501	1,257,237	495,548	1,772,286
Interbank deposits and net loans	1,381,625	-	-	1,381,625
Other assets	17,356	11,637	24,402	53,395
Off balance sheet assets	4,819,619	962,632	3,047,433	8,829,684
Total interest rate sensitive assets	**21,912,698**	**2,904,256**	**6,868,730**	**31,685,684**
Liabilities				
Term deposits	4,918,720	67,575	19,805	5,006,100
Interbank deposits and loans	9,487,216	2,883,088	1,156,688	13,526,992
Other liabilities	506,841	126,338	18,584	651,763
Off balance sheet liabilities	3,513,526	1,946,580	3,451,409	8,911,515
Total interest rate sensitive liabilities	**18,426,303**	**5,023,581**	**4,646,486**	**28,096,370**
Gap	**3,486,395**	**(2,119,325)**	**2,222,244**	**3,589,314**
Assets, non sensitive to interest rate				4,096,317
Liabilities and equity, non sensitive to interest rate				7,767,462

NOTE 41 INTEREST RATE RISK MANAGEMENT (CONTINUED)

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

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

The table below provides the Bank's interest rate gap analysis as of 31 December 2009:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	13,588,921	625,512	3,274,206	17,488,639
Debt securities	19,501	1,256,613	495,548	1,771,662
Interbank deposits and net loans	1,381,625	-	-	1,381,625
Other assets	-	-	-	-
Off balance sheet assets	4,819,619	962,632	3,047,433	8,829,684
Total interest rate sensitive assets	**19,809,666**	**2,844,757**	**6,817,187**	**29,471,610**
Liabilities				
Term deposits	5,335,518	67,575	19,805	5,422,898
Interbank deposits and loans	7,208,368	2,572,336	949,520	10,730,224
Other liabilities	506,841	128,351	18,584	653,776
Off balance sheet liabilities	3,513,526	1,946,580	3,451,409	8,911,515
Total interest rate sensitive liabilities	**16,564,253**	**4,714,842**	**4,439,318**	**25,718,413**
Gap	**3,245,413**	**(1,870,085)**	**2,377,869**	**3,753,197**
Assets, non sensitive to interest rate				3,410,664
Liabilities and equity, non sensitive to interest rate				7,245,692

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS

As of 31 December 2010 both the Group and the Bank were in compliance with the maximum lending to one customer, large exposure, related party lending, investment and open foreign currency position limits established by the Central Banks. During the year neither the Group nor the Bank received any sanctions from the Bank of Lithuania.

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

Income Statement of the Group excluding UAB SEB Venture Capital and UAB Litectus entities for the year ended 31 December 2010 and 2009

	2010	2009
Interest income	767,825	1,150,152
Interest expenses	(498,763)	(821,514)
Net interest income	**269,062**	**328,638**
Impairment losses on loans	(119,346)	(1,162,047)
Impairment losses on lease portfolio	(41,350)	(552,477)
Provisions for guarantees	6,793	(17,010)
Other impairment losses	(2)	(323)
Total impairment losses	**(153,905)**	**(1,731,857)**
Net interest income after provisions	**115,157**	**(1,403,219)**
Net service charges and other income	189,122	166,861
Net gain on equity investments	3,061	10,741
Net gain on operations with debt securities and financial instruments	(31,116)	(24,450)
Net gain on disposal of subsidiaries	29,700	-
Net foreign exchange gain	59,522	72,884
Impairment loss on investment in available for sale securities	-	(14,712)
Staff costs	(130,564)	(156,333)
Other administrative expenses	(177,493)	(190,568)
Operating (loss) profit	**57,389**	**(1,538,796)**
Impairment loss on intangible assets	(71,755)	(169,550)
Profit before income tax	**(14,366)**	**(1,708,346)**
Income tax	(2,196)	265,949
(Loss) Profit for the year from continuing operations	**(16,562)**	**(1,442,397)**
Profit for the year from discontinued operations	-	18,463
Net (loss) income	**(16,562)**	**(1,423,934)**
Attributable to:		
Equity holders of the parent	(16,562)	(1,423,934)
(Loss) Profit for the year from continuing operations	*(16,562)*	*(1,442,397)*
Profit for the year from discontinued operations	-	*18,463*
Non controling interest	-	-
(Loss) Profit for the year from continuing operations	-	-
(Loss) Profit for the year from discontinued operations	-	-
	(16,562)	**(1,423,934)**
Earnings per share, attributable to equity holders of the parent (LTL):		
Basic	(1.07)	(93.41)
Diluted	(1.07)	(93.41)

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Comprehensive Income for the Group excluding UAB SEB Venture Capital and UAB Litectus entities for the year ended 31 December 2010 and 2009

	2010	2009
Net (loss) income for the year	**(16,562)**	**(1,423,934)**
Other comprehensive income:		
Net gain on available for sale assets	**3,956**	**20,362**
- Net gain, before taxes	*3,956*	*5,650*
- Impairment loss on investment in available for sale securities recognised in income statement, before taxes	-	*14,712*
Amortisation of financial assets revaluation reserve of reclassified financial assets	3,025	2,937
Income tax relating to the components of other comprehensive income	(1,050)	(5,521)
Total other comprehensive income	**5,931**	**17,778**
Total comprehensive income	**(10,631)**	**(1,406,156)**

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Financial Position of the Group excluding UAB SEB Venture Capital and UAB Litectus entities as of 31 December 2010 and 2009

	2010	2009
Assets		
Cash in hand	428,427	420,403
Balances with the Central Banks	527,258	384,981
Due from banks, net	1,177,833	3,118,698
Government securities available for sale	164,895	65,818
Financial assets at fair value through profit and loss	45,733	19,203
Derivative financial instruments	233,911	153,483
Loans to credit and financial institutions, net	55,399	20,069
Loans to customers, net	15,680,730	17,194,089
Finance lease receivable, net	1,694,691	2,503,885
Investment securities:		
- loans and receivables	1,629,290	1,719,512
– available for sale	1,276	337
– held to maturity	13,832	12,748
Investments in subsidiaries	25,000	25,000
Intangible fixed assets	148,733	169,046
Property, plant and equipment	45,988	56,505
Assets under operating lease	2,581	4,275
Investment property	51,474	62,231
Deferred tax asset	272,900	276,781
Other assets, net	363,393	332,885
Assets classified as held for sale and discontinued operations	-	419,065
Total assets	**22,563,344**	**26,959,014**
Liabilities		
Amounts owed to the Central Banks	38	31
Amounts owed to credit and financial institutions	9,295,615	13,650,723
Derivative financial instruments	334,427	303,643
Deposits from the public	9,644,674	9,673,732
Accrued expenses and deferred income	29,824	44,009
Income tax payable	-	185
Subordinated loans	597,172	597,195
Debt securities in issue	663,177	697,841
Other liabilities and provisions	134,956	78,576
Liabilities included in assets classified as held for sale and discontinued operations	-	385,335
Total liabilities	**20,699,883**	**25,431,270**
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	(8,850)	(14,781)
Legal reserves	164,540	134,273
General and other reserves	10,846	9,778
Net income for the period and retained earnings	661,316	362,865
	1,863,461	1,527,744
Non controlling interest	-	-
Total equity	**1,863,461**	**1,527,744**
Total liabilities and equity	**22,563,344**	**26,959,014**

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Changes in Equity of the Group excluding UAB SEB Venture Capital and UAB Litectus entities for the year ended 31 December 2010 and 2009

	Equity attributable to equity holder of the parent								
	Share capital	**Reserve capital**	**Financial assets reva-luation reserve**	**Legal reserve**	**General and other reserves**	**Retained earnings**	**Total before non controling interest**	**Non controlling interest**	**Total**
31 December 2008	**1,034,575**	**1,034**	**(32,559)**	**76,508**	**9,338**	**1,154,004**	**2,242,900**	**-**	**2,242,900**
Net change in available for sale investments, net of deffered tax	-	-	14,841	-	-	-	14,841	-	14,841
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	2,937	-	-	-	2,937	-	2,937
Net income for the period	-	-	-	-	-	(1,423,934)	(1,423,934)		(1,423,934)
Net income recognized directly in equity	-	-	*17,778*	-	-	*(1,423,934)*	*(1,406,156)*	-	*(1,406,156)*
Shareholder's contribution	-	-	-	-	-	690,560	690,560	-	690,560
Share-based compensation	-	-	-	-	440	-	440	-	440
Transfer to reserves	-	-	-	57,766	-	(57,766)	-	-	-
31 December 2009	**1,034,575**	**1,034**	**(14,781)**	**134,273**	**9,778**	**362,865**	**1,527,744**	**-**	**1,527,744**
Net change in available for sale investments, net of deffered tax	-	-	2,906	-	-	-	2,906	-	2,906
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	3,025	-	-	-	3,025	-	3,025
Net income for the period	-	-	-	-	-	(16,562)	(16,562)		(16,562)
Net income recognized directly in equity	-	-	*5,931*	-	-	*(16,562)*	*(10,631)*	-	*(10,631)*
Shareholder's contribution	-	-	-	-	-	345,280	345,280	-	345,280
Share-based compensation	-	-	-	-	1,068	-	1,068	-	1,068
Transfer to reserves	-	-	-	30,265	-	(30,265)	-	-	-
31 December 2010	**1,034,575**	**1,034**	**(8,850)**	**164,540**	**10,846**	**661,316**	**1,863,461**	**-**	**1,863,461**

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Statement of Cash Flows of the Group excluding UAB SEB Venture Capital and UAB Litectus entities for the year ended 31 December 2010 and 2009

	2010	2009
Cash from operating activities		
Interest income received	774,919	1,134,173
Interest expenses paid	(555,297)	(900,748)
Net foreign currency exchange gain	41,790	68,394
Unrealised translation gain	17,732	4,214
Net gain (loss) in securities trading and financial instruments	(31,116)	(24,450)
Net commission and service income	189,236	166,861
Life insurance operations	-	142,157
Staff costs	(131,540)	(161,976)
Other payments	(157,687)	(150,510)
Net cash from operating activities before change in operating assets	**148,037**	**278,115**
Changes in operating assets		
(Increase) decrease in compulsory balances with the Central Bank	(11,145)	66,835
Decrease (increase) in due from banks and loans to credit and financial institutions	990,178	(1,147,849)
Decrease in loans to customers	1,390,146	1,946,319
Decrease of finance lease receivable	728,733	1,130,435
(Increase) decrease in other current assets	18,798	(98,474)
Net change in operating assets	**3,116,710**	**1,897,266**
Changes in operating liabilities		
(Decrease) in deposits from public	(30,265)	(556,369)
Increase (decrease) in accrued expenses, deferred income and other liabilities	57,903	(37,824)
Net change in operating liabilities	**27,638**	**(594,193)**
Net cash (to) from operating activities before income tax	**3,292,385**	**1,581,188**
Income tax paid	(222)	(35,537)
Net cash (to) from operating activities after income tax	**3,292,163**	**1,545,651**
Cash flow from (to) investing activities		
Purchase of tangible and intangible fixed assets, net	(65,536)	(115,630)
(Increase) decrease in Government securities available for sale	(92,160)	33,444
Disposal of subsidiaries, net of cash disposed	67,767	-
(Decrease) increase of investment in other securities and derivatives	10,593	(58,906)
Net gain on sale non-current asset held for disposal	-	-
Cash used in (to) investing activities	**(79,336)**	**(141,092)**
Cash flow from (to) financing activities		
Shareholder contributions	345,280	690,560
Increase (decrease) in amounts owed to the Central Banks	7	7
Increase (decrease) in amounts owed to credit and financial institutions	(4,320,558)	(1,412,971)
Decrease (increase) in subordinated loans	-	(5,992)
Debt securities issued, net	(13,764)	90,048
Cash received (used in) financing activities	**(3,989,035)**	**(638,348)**
Net increase (decrease) in cash	(776,208)	766,211
Cash 1 January	**2,299,863**	**1,533,652**
Cash 31 December	**1,523,655**	**2,299,863**
Specified as follows:		
Balance available for withdrawal with the Central Banks	131,133	-
Overnight deposits	395,858	125,677
Cash on hand	428,427	420,403
Current accounts with other banks	568,237	1,753,783
	1,523,655	**2,299,863**

NOTE 43 RELATED PARTIES

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	The Bank	
2010	2009		rate %	2010	2009
1,139,291	3,071,547	Outstanding loan amount at year end	0.22-2.86	1,138,822	3,071,409
73,984	29,186	Derivative financial instruments at the year ended	-	73,984	29,186
2,958	4,150	Other assets at the year end	-	2,182	1,708
9,230,130	13,354,393	Outstanding deposit amount at the year end	0.1-5.5	7,729,838	10,537,685
655,616	307,622	Other liabilities at the year end	-	652,883	307,622
2,532	12,420	Commitments to grant loans at the year end	-	2,362	12,420
7,269	20,787	Guarantees issued at the year end	-	7,269	20,787
82,946	-	Guarantees received at the year end	-	82,946	99,468
9,870	13,216	Interest income	-	9,854	13,060
(346,995)	(503,446)	Interest expense	-	(305,216)	(415,793)
(7,803)	(8,675)	Other services received and cost incurred from SEB group, net	-	(15,594)	(13,929)

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

The Group			Interest	The Bank	
2010	2009		rate %	2010	2009
1,113,577	3,052,852	Outstanding loan amount at the year end	0.22-2.12	1,113,473	3,052,714
73,984	29,186	Derivative financial instruments at the year ended	-	73,984	29,186
738	2,696	Other assets at the year end	-	150	345
9,172,930	13,343,398	Outstanding deposit amount at the year end	0.29-5.5	7,672,638	10,526,690
651,245	307,467	Other liabilities at year end	-	651,176	307,467
199	8,417	Unused granted overdraft facilities	-	29	8,417
-	4,708	Guarantees issued at the year end	-	-	4,708
3,216	5,033	Guarantees received at the year end	-	3,216	5,033
9,352	12,694	Interest income	-	9,348	12,689
(346,857)	(503,367)	Interest expense	-	(305,078)	(415,714)
(4,273)	(5,186)	Other services received and cost incurred from SEB group, net	-	(11,320)	(10,072)

NOTE 43 RELATED PARTIES (CONTINUED)

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

	Interest rate %	The Bank 2010	The Bank 2009
Off-balance sheet commitments as of 31 December:			
Agreements to grant loans	-	197,569	203,367
Guarantees issued	-	13,330	12,571
Letters of credit issued	-	752	-
Outstanding loan amounts at year end:			
AB SEB Lizingas	0.247-1.24	451,237	719,787
UAB SEB Venture Capital	2.64	14,001	11,000
Outstanding deposit amounts at year end:			
UAB SEB Venture Capital	0.1	1,333	749
UAB SEB Investicijų Valdymas	0.05-0.1	17,774	14,153
UAB SEB Enskilda	0.05-0.75	9,325	10,402
UAB SEB Gyvybės Draudimas	-	n/a	6,839
UAB Litectus	-	n/a	3,194
AB SEB Lizingas	0.05-0.68	92,942	394,200
Other assets at year end	-	2,361	2,377
Issued debt securities purchased by subsidiaries	-	-	2,013
Other liabilities at year end	-	7	-
Interest income	-	6,688	28,005
Interest expense	-	(2,241)	(1,309)
Dividend income	-	3,734	4,816
Other services received and cost incurred from subsidiaries, net	-	12,970	16,220
Impairment losses for loan outstanding from AB SEB Lizingas		391,000	(391,000)

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

For the year 2010 the Bank disbursed LTL 374,091 thousand (2009: LTL 499,362 thousand) to AB SEB Lizingas according lending agreements.

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

The Group 2010	The Group 2009		Interest rate %	The Bank 2010	The Bank 2009
7,600	8,233	Outstanding loan amount at the year end	3.01-5.8	3,879	4,144
91	11	Outstanding deposit amount at the year end	-	91	11
202	114	Agreements to grant loans and other off balance commitments	-	202	114
689	750	Interest income	-	365	33
(2)	-	Interest expense	-	(2)	-
29	-	Other services received and cost incurred, net	-	27	-

NOTE 43 RELATED PARTIES (CONTINUED)

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

The Group			Interest	The Bank	
2010	**2009**		**rate %**	**2010**	**2009**
4,846	4,706	Outstanding loan amount at the year end	3	4,846	4,706
1	4	Finance lease receivable	3	-	-
40	4	Other assets	-	40	4
774	1,130	Outstanding deposit amount at the year end	0.05-0.7	774	1,130
81	-	Commitments to grant loans at the year end	-	81	-
2,692	3,008	Payroll	-	2,692	3,008
-	-	Bonuses	-	-	-
828	936	Social security	-	828	936
1,241	3,294	Other payments (incl. social security)	-	1,241	3,294
148	252	Interest income	-	148	249
(11)	(84)	Interest expense	-	(11)	(84)
2	-	Other income, net	-	2	-

NOTE 44 ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of 31 December 2009 assets classified as held for sale and discontinued operations accounted by the Bank were as follows:

	2009
Shares of UAB SEB Gyvybės Draudimas	10,325
Shares UAB Litectus	3,500
Total assets classified as held for sale and discontinued operations	**13,825**

The assets and liabilities related to the companies UAB SEB Gyvybės Draudimas and UAB Litectus that are a part of Life insurance and Baltic Division segments have been presented as held for sale following the approval of the Group's management and shareholders. The transactions held place correspondently on 13 January 2010 and 26 February 2010.

As of 31 December 2009 assets and liabilities of disposal group classified as held for sales by the Group were as follows:

UAB SEB Gyvybės Draudimas

Assets	**2009**
Due from banks, net	220
Financial assets designated at fair value	404,419
Intangible fixed assets	214
Property, plant and equipment	113
Other assets, net of impairment losses	10,599
Total assets	**415,565**
Liabilities	
Liabilities in life insurance operations and to investment contract holders	379,034
Accrued expenses and deferred income	1,187
Other liabilities and provisions	5,114
Total liabilities	**385,335**
Net assets of the disposal group	**30,230**

NOTE 44 ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

UAB Litectus

Assets	**2009**
Property, plant and equipment	13
Other assets, net of impairment losses	57
Total assets	**70**
Liabilities	
Accrued expenses and deferred income	1
Other liabilities and provisions	11
Total liabilities	**12**
Net assets of the disposal group	**58**

For the year ended 31 December 2009 profit (losses) from discontinued operations of the Group were as follows:

UAB SEB Gyvybės Draudimas

	2009
Revenues	162,770
Expenses	(134,432)
Operating profit	**28,338**
Other income and expenses	(276)
Administrative expenses	(9,389)
Profit before tax of discontinued operations	**18,673**
Income tax benefit (expense)	(210)
Profit from discontinued operations	**18,463**

UAB Litectus

	2009
Revenues	-
Expenses	-
Operating profit	**-**
Other income and expenses	-
Administrative expenses	(449)
Profit before tax of discontinued operations	**(449)**
Income tax benefit (expense)	44
Profit from discontinued operations	**(405)**

For the year ended 31 December 2009 cash flows from discontinued operations of the Group were as follows:

	2009
Net cash flow from operating activities	35,396
Net cash flow from investing activities	(39,439)
Net cash flow from financing activities	3,500

As of 31 December 2010 and 2009 major amount of the Group's non-current assets held for sale comprise of UAB SEB lizingas foreclosed assets held for sale (mainly trucks and other vehicles), that are expected to be sold in one year.

NOTE 44 ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

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

	Net value as of 31 December 2009	Foreclosed or returned	Sold	Net value as of 31 December 2010
Cars and mini-vans	5,763	44,619	47,974	2,408
Trucks	49,890	34,826	74,702	10,014
Manufacturing equipment	4,600	4,275	4,876	3,999
Construction equipment	2,162	7,554	6,121	3,595
Agricultural equipment	403	152	507	48
Real estate	3,922	40,674	18,749	25,847
Other assets	461	2,661	1,439	1,683
	67,201	134,761	154,368	47,594

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

The Group 2010	The Group 2009		The Bank 2010	The Bank 2009
133,357	114,575	Foreclosed assets or assets returned after termination of agreements	29	-
(85,734)	(47,374)	Impairment losses	-	-
47,623	**67,201**	**Foreclosed assets or assets returned after termination of agreements, net**	**29**	**-**

NOTE 45 APPROPRIATION OF PROFIT AND TRANSFERS OF RESERVES

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

	Legal reserve	Net loss for the period	Retained earnings
31 December 2010	**163,221**	**(12,058)**	**571,318**
Profit (loss) appropriation to Legal reserve	27,963	-	(27,963)
Profit (loss) appropriation to Retained earnings	-	12,058	(12,058)
31 December 2010 after appropriation of profit and transfers to reserves	**191,184**	**-**	**531,297**

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

NOTE 46 OFF BALANCE SHEET ITEMS

The Group 2010	The Group 2009		The Bank 2010	The Bank 2009
1,937,253	1,983,430	Agreements to grant loans	2,134,822	2,186,797
491,480	564,861	Guarantees issued	504,810	577,432
102,511	89,458	Letters of credit issued	103,263	89,458
259,857	306,665	Commitments to purchase assets and other commitments	-	-
12	391	Commitments to sell securities	12	391
38	23	Customs guarantees collateralised by deposits	38	23

Legal proceedings
There were several proceedings outstanding against the Group and the Bank at 31 December 2010 and 2009. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

NOTE 46 OFF BALANCE SHEET ITEMS (CONTINUED)

As of 31 December 2009 rental off balance sheet commitments of the Group amounted to LTL 168,461 thousand (2009: LTL 239,886 thousand) and rental off balance sheet commitments of the Bank amounted to LTL 167,266 thousand (2009: LTL 170,720 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	
2010	**2009**		**2010**	**2009**
945	1,497	Short term deferred income (up to 1 year)	3	-
1,639	1,164	Long term deferred income (up to 5 years)	-	-
2,584	**2,661**	**Total future lease and rental payments under non-cancellable operating lease**	**3**	**-**

The Bank has signed an agreement with European Investment Fund for financing micro and medium enterprises according to JEREMIE program. Under the agreement, the maximum loan amount available from EIF is LTL 184,034 thousand, as of 31 Dec 2010 LTL 17,264 thousand was obtained. Respectively the Bank pledged to EIF current and future funds in the accounts opened for EIF deposits in the maximum amount of LTL 184,034 thousand. As of 31 December 2010, LTL 17,099 thousand were placed in the accounts and pledged.

NOTE 47 POST BALANCE SHEET EVENTS

On 28 February 2011 the Bank has signed an agreement to dispose 100% its subsidiary UAB SEB Enskilda. On 3 March 2011 100% of subsidiary shares were sold to Skandinaviska Enskilda Banken AB (publ), for the amount of LTL 10,092 thousand.

After the balance sheet date the Bank successfully completed 11 debt securities issues with the nominal value of LTL 22.23 million.

The Bank started 3 debt securities issues after 31 December 2010, which have not been completed yet. As of 9 March 2010 they amounted to LTL 7,540 thousand and were accounted for in 'other liabilities and provisions' line in the balance sheet.

After the balance sheet date 21 debt securities issue with the nominal value of LTL 578,071 thousand were redeemed.

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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 24.5 of the Listing Rules of NASDAQ OMX Vilnius, 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)

[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.

2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	YES	The board (executives directors) consists of 5 (five) members. The supervisory council consists of 5 (five) members.
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,

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

[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.

		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.
3.2. 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	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

conduct an annual review to identify fields where its members need to update their skills and knowledge.		person to the Supervisory Council as its member, also, the Bank of Lithuania is kept informed on changes in the data (including changes in qualifications) of the members, therefore, in our opinion, this is sufficient to ensure that that the bank's collegiate body would consist of only individuals with adequate qualifications, knowledge and skills. For these reasons, no individual programmes or annual reviews are conducted.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	NOT APPLICABLE	The Bank has a single shareholder.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body	NOT APPLICABLE	The Bank has a single shareholder.

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

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

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

8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	 NO	 Up to now Supervisory Counsel Members were not
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	NO	Comment at 3.7
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	NO	Comment at 3.7

3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	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.
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.

[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.

4.3. 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	
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.

[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.

4.6. 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	
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.

[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.

4.8. 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 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.	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.
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, 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	NO	Remuneration Committee does not exist (planned to be established).

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 Audit Committee discusses, on regular basis, the external auditors' comments, including the consistency of accounting methods.
• At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;	YES	Once a quarter, the audit committee discusses the internal audit and compliance reports that highlight the main drawbacks in the internal control and risk management, including risks related to the observance of the existing legal acts.
• Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;	YES	In the quarterly internal audit report the Audit Committee is provided with information on the status of implementation of the internal audit recommendations. During a meeting reasons are discussed due to which the recommendations have not been implemented in due time.
• Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;	YES	Audit company is selected at the SEB Group level. There were no situations leading the audit company to resign.
• Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should	YES	According to the audit services agreement, the audit company ensures the rotation of partners in accordance with the laws. The SEB Group has a uniform SEB External Audit Policy, approved by SEB's Audit and Compliance Committees defining the independence of external auditors, providing of services to the SEB Group companies and purchase of other than audit services from

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; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.	 YES	external audit.
4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.	YES	The Audit Committee discusses comments provided by external audit provided in a letter to the senior management as well as the comments of the Bank's senior management. Note: The Bank does not carry on activities in any off-shore centres.
4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.	YES	The Audit Committee meetings are always participated by the President of the Bank and Head of the Internal Audit Department. External auditors are always invited to the meetings.
4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.	YES	The regulations of the Internal Audit Committee and its work plans are approved by the Audit Committee. According to the regulations, the Internal Audit Department is directly reporting to the Chairman of the Supervisory Council, which fact ensures a possibility to directly turn to the Audit Committee and/or the Council.
4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information	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.

on all issues arising from the audit. 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. 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.	 NO YES	 There is no set formal procedure. 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).
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	

[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.

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 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.	NO	The Bank's Articles of Association do not establish criteria for major transactions based on which criteria transactions would be selected that require an approval of the general shareholders' meeting.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. 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.

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

6.5. 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.
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.

[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).

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 supplementary pension or early retirement schemes for directors.	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.
8.4. 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 (planned to be established).
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 such practice.
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	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.

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 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.	NO	There is no such practice.

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	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.	NO	There is no such practice.

8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	NO	There is no such practice.
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES	
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	NE	The Company does adhere to provision 6 under recommendation 10.1 because it is not required by the legal acts and is not important for the Company. All other information is announced by the Company via different communication channels: on its website, announcements on major events in mass media, press releases, press conferences.
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	YES	
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	YES	

10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	NO	To a certain extent the Company does not adhere to recommendations 10.4, as in the Company's opinion the information on the relations between the Company and persons with an interest in it, such as employees, creditors, suppliers, local community, including the Company's policy regarding human resources, programmes for employee participation in the Company's equity, etc. is information not to be placed in public domain.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	YES	Website, press releases, press conferences, announcements on major events.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	YES	Website, press releases, press conferences, announcements on major events. Information on services is available at any subdivision of the Bank, other information that must be published is available at the Bank's website. Those willing to familiarise with relevant information are provided with such information by the Bank staff at customer service outlets or at the Call Centre at 1528. Languages: Lithuanian and English
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	YES	Taking into account that the Bank is issuer of listed debt securities

Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	YES	Independent audit company conducts audit of the Company's interim financial reporting, the Company's annual financial reporting and its annual report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	NO	A candidate firm of auditors is proposed to the general shareholders' meeting by the Board of the Bank.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	IRRELEVANT	The audit company has not rendered any significant non-audit services to the Bank.