



**AB SEB bankas
Independent auditor's report
Annual report and Financial statements
for the year ended 31 December 2012**

13 March 2013

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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 24-103 which comprise the stand alone and consolidated statement of financial position as of 31 December 2012 and the stand alone and consolidated income statements, 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2012, and 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 2012 set out on pages 5- 23, including its Appendix 1 set out on pages 104 - 130 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 2012.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, appearing to read "Rimvydas Jogėla", is written over the printed name and title.

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
13 March 2013

THE YEAR 2012 CONSOLIDATED ANNUAL REPORT

(all amounts in LTL thousand, unless indicated otherwise)

CONSOLIDATED ANNUAL REPORT OF AB SEB BANKAS FOR THE YEAR 2012**1. Reporting period covered by the Consolidated Annual Report**

This Consolidated Annual Report (hereinafter the Report) has been prepared for the year ended 31 December 2012. All numbers presented are as of 31 December 2012 or for the year then ended, unless specified otherwise.

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

Issuer's name	AB SEB bankas
Authorised capital	LTL 1,034,575,341
Legal address	Gedimino ave.12, LT-01103 Vilnius
Telephone	(8 5) 2682 800
Facsimile	(8 5) 2682 333
E-mail address	info@seb.lt
Legal 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 bankas (hereinafter the 'Bank'), a public limited company, is a credit institution operating on share capital basis and is licensed to engage in such types of activities as acceptance of deposits and other refundable means from non-professional market participants and funds lending, also it is entitled to engage in offering other financial services and assumes relevant related risks and liability.

At the close of the reporting period, the AB SEB bankas Group in Lithuania (hereinafter the 'Group') consisted of AB SEB bankas and three subsidiary companies: UAB "SEB investicijų valdymas", AB "SEB lizingas" and UAB "SEB 'Venture Capital'".

Name	AB "SEB lizingas"
Type of core activities	Finance lease
Legal form	Public 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.seb.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
Domicile address	Gedimino ave. 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	www.seb.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
Domicile address	Gedimino ave. 12, LT-01103 Vilnius
Office address	Olimpiečių str. 1, LT-09235 Vilnius
Telephone	(8 5) 2681 594
Fax	(8 5) 2681 575
E-mail address	info.invest@seb.lt
Website address	www.seb.lt

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

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

As of 31 December 2012, AB SEB bankas had 69 agreements with AB Bankas Finasta (legal entity code 301502699, address Maironio str. 11, LT-01124 Vilnius).

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

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

As of 31 December 2012, five non-equity securities issues of AB SEB bankas were included in the trading list of the debt securities list of Nasdaq OMX Vilnius exchange:

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

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

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

Parameters	Issue
ISIN code	LT0000405078
Number of securities issued (units)	38,857
Nominal value per unit (LTL)	100.00
Total nominal value (LTL)	3,885,700.00
Effective date of the issue	21 December 2011
Redemption date	9 January 2017

Parameters	Issue
ISIN code	LT0000405086
Number of securities issued (units)	47,032
Nominal value per unit (LTL)	100.00
Total nominal value (LTL)	4,703,200.00
Effective date of the issue	30 May 2012
Redemption date	13 June 2017

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

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(all amounts in LTL thousand, unless indicated otherwise)

5. Objective overview of the issuer group status, activities and development

In 2012, AB SEB bankas Group in Lithuania was providing a full range of banking services to private individual, corporate customers and financial institutions. The Group in Lithuania consisted of AB SEB bankas and three companies: UAB "SEB investicijų valdymas", AB "SEB lizingas" and UAB "SEB Venture Capital".

The previous year for the country's banking was some kind of a breakthrough point, when the credit portfolio of banks which until then was dramatically declining over a several-years' period of time started stabilising in the market. A lot of uncertainty still remains in the global markets, however, there are favourable economic preconditions for further sustainable development of the Lithuanian banking sector in 2013.

Audited net profit earned over the year 2012 by AB SEB bankas is LTL 126,3 million (EUR 36,6 million) and by AB SEB bankas Group – LTL 86,3 million (EUR 25,0 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 year 2011, audited net profit earned by AB SEB bankas totaled LTL 379,8 million (EUR 110,0 million) and by AB SEB bankas Group – LTL 469,7 million (EUR 136,0 million).

The AB SEB bankas Group's income over the year 2012 remained at the same level as in 2011 (2012: LTL 541 mln. and 2011: LTL 542 mln.) whereas ordinary operating costs shrank, however, due to additional one-off operating costs the Bank Group's operating profit before provisions was lower compared to that in 2011. As of 31 December 2012, the AB SEB bankas Group's equity was LTL 2.4 billion, i.e. it increased by 4 per cent (LTL 2.3 billion yoy). As of 31 December 2012, the AB SEB bankas Group's assets were worth LTL 23.2 billion (LTL 26.6 billion yoy), i.e. they decreased by 13 per cent. Over the year 2012, AB SEB bankas deposit portfolio increased from LTL 12.2 billion up to LTL 12.4 billion, i.e. by 2 per cent.

As of 31 December 2012, AB SEB bankas Group's credit and lease portfolio was worth LTL 18.3 billion in total (LTL 18.7 billion yoy). Over a year, there was a slight drop (2 per cent) in the AB SEB bankas Group's credit and lease portfolio, however, the corporate credit portfolio stopped decreasing, and over a year the amount of new loans issued to large corporate customers increased by 12 per cent, i.e. from LTL 4.3 billion up to LTL 4.8 billion. Over the year 2012, the amount of new loans issued by AB SEB bankas (extended agreements excluded) increased up to LTL 4.12 billion, which is a 19 per cent increase yoy.

As of 31 December 2012, Group's liquidity ratio was 35.86 per cent (the requirement being 30 per cent).

The number of registered users of AB SEB bankas' Internet banking increased to 1.068 million, i.e. by 5 per cent as against the data of 2011 (1.013 million). The number of users of the Bank's services via mobile phone increased up to 502 thousand, i.e. by 13 per cent as compared to the data of 2011 (444 thousand). Over a relevant period, the number of payment transactions via the Internet increased by 13 per cent, and the turnover in payment card accounts since 31 December of 2011 increased by 12 per cent, the number of POS terminals increasing by 7 per cent.

As at 31 December 2012, the Bank had 46 customer service units all throughout Lithuania.

AB SEB bankas customers may use an ATM network which is the largest one in Lithuania and includes ATMs of SEB and DNB banks, i.e. 539 ATMs in 82 towns, large and small.

As at 31 December 2012, the number of the AB SEB bankas Group's actually working employees (excluding the employees on child care vacation) was 1,564, i.e. by 9.6 per cent less than as at 31 December 2011, when the number of Group's actually working employees was 1,731.

In 2012, AB SEB bankas further aimed at the implementation of its Home Bank strategy. As a relationship bank, AB SEB bankas offered modern universal banking services, providing them in a professional and convenient way, taking into consideration the needs and expectations of each customer.

In 2012, the Bank offered its customers new services and financial solutions: the Bank was the first in Lithuania to offer 24/7 advice by phone (1528) to private individual customers on daily banking issues, also it launched for them a free-of-charge banking service Financial Planner, e-signature and electronic mobile signature, a new payment and loyalty card SEB Mylimiausia MasterCard, started applying a new financial advice model for small and medium enterprises, started offering the Lithuanian Government saving bonds as well as a new financial instrument in the Lithuanian market, namely, structured bonds. In 2012, AB SEB bankas for its customers in the Baltic countries started providing cash management service Baltic Online, presented financial service plans to corporate customers and expanded possibilities for private individuals who are users of daily financial service plans, proposed private individuals to receive their new debit cards by mail, started communicating with its customers in social media Facebook profile.

In 2012, AB SEB bankas expanded its network of self-service areas in Lithuania: the first self-service areas accessible 24/7 were opened in Šiauliai, Alytus and Tauragė. In total, AB SEB bankas has 10 self-service areas open 24/7.

In 2012, the AB SEB bankas Group won significant global and local awards: AB SEB Bank was awarded with the title of the Best Bank in Lithuania (Global Finance, Euromoney, The Banker), the Best FX Trade Bank in Lithuania (Global Finance), for the sixth time it was selected as the Most Desirable Employer in Lithuania (Verslo Žinios and CV.lt) and the Most Attractive Employer in Lithuania (CV Market). AB SEB bankas e-banking services received the Best E-banking Services award in such categories as Functionality and Mobile Banking (Metasite Business Solutions). In the year 2012 CSR National Excellence Awards AB SEB bankas won a special title for novelties, original ideas and consistent

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progress within a five-year period of the awards (the awards are initiated by the Ministry of Social Security and Labour of the Republic of Lithuania jointly with the UNDP Lithuania).

In 2012, the AB SEB bankas Group continued implementing its corporate sustainability strategy, which establishes eight corporate sustainability priorities by the main areas of responsibility (governance responsibility, environmental responsibility and social responsibility): responsible selling and marketing, tackling financial crime, responsible ownership, reducing our footprint, sustainable finance and investing, valuing our people, access to financial services and investing in communities.

6. Description of the main risk types and uncertainties

Issuer risk. The Bank's obligations against investors are not additionally secured by any guarantee and/or in any other manner, the Bank's obligation to redeem non-equity securities is not insured by state enterprise Indėlių ir Investicijų Draudimas, therefore, the investor assumes banking (operational) risk related to political, economic, technical and technological as well as social factors. In the event of the Bank's bankruptcy, claims of holders of non-equity securities would be satisfied according to the procedure and order of priority established by legal acts of the Republic of Lithuania.

Credit risk. The Group assumes credit risk, i.e., the risk of another counterparty being unable to duly meet its obligations against the Bank. Counterparty risk is assessed based on credit equivalents calculated depending on the type of a financial deal. The Group Credit Policy is applied adhering to the principle that any lending transaction may be executed only subject to credit analysis. Taking into account the complexity of the deal and customer's creditworthiness, various credit risk management measures are applied.

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

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

Applied credit portfolio concentration risk limits are as follows:

- maximum exposure per single borrower must not exceed 25 per cent of the Bank's/ Group's equity, and the total amount of large exposures may not exceed 800 per cent of the Bank's/ Group's equity;
- total loans issued by the Bank to other subsidiary companies of the parent company or the Bank's subsidiary companies per single borrower may not exceed 75 per cent of the Bank's equity, if the Bank of Lithuania performs consolidated supervision of the entire financial group. If the Bank of Lithuania does not perform any consolidated supervision of the entire financial group, the maximum exposure per each Group company may not exceed 20 per cent of the Bank's equity.

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

	31-12-2010*	31-12-2011*	31-12-2012*
Individually assessed client credits, which value has impaired, gross amount (impaired loans), in LTL'000	2,936,736	2,178,332	1,773,698
Client credit portfolio (without special provisions), in LTL'000	17,144,657	16,886,118	16,691,484
Ratio (in per cent)	17.13 per cent	12.90 per cent	10.63 per cent

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

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

	31-12-2010	31-12-2011	31-12-2012
Impairment losses on loans to customers (special provisions)	1,463,927	1,207,686	1,022,564
Impairment losses on loans to credit and financial institutions as of year end (special provisions)	40	31	0
Balance of impairment losses on loans to credit and financial institutions as of year end (special provisions)	1,463,967	1,207,717	1,022,564
Special provisions to loan portfolio ratio	8.29 per cent	6.97 per cent	5.87 per cent

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Market risk. It is the risk of losses or of a loss of future net income due to changes in interest rates, credit spreads, 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 (Δ NI) 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.

Credit margin risk is defined as the risk that the value of debt securities will decrease as a result of a change in the issuer's credit risk. This type of risk is managed by establishing limits on investments in debt securities.

Foreign exchange risk exposure is defined by two measures: the single open foreign currency position and the aggregate open currency position - the larger one of all summed-up long and short open currency positions. Foreign exchange risk measures include net exposure of spot and forward positions, FX futures, including gold, the delta equivalent position of FX options and other balance sheet items. The currency risk control is ensured by monitoring the risk exposure against the limits established for single open currency position. The Bank adheres to the open currency position limits established by the Bank of Lithuania: 1) maximum open position in one currency (other than the Euro) must be no more than 15 per cent of the bank's equity; 2) maximum total (other than the Euro) open position must be no more than 25 per cent of the bank's equity.

Changes in the Group's maximum open single currency position as a percent of the Group's total equity during the recent years is shown in the table below (the data provided in the Table have been calculated including also the EUR position).

The Group	31-12-2010	31-12-2011	31-12-2012
Maximum open single currency position	83.87 per cent	105.63 per cent	133.48 per cent
Maximum aggregate open currency position	0.36 per cent	0.34 per cent	0.22 per cent

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

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

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

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

The Group			Ratio	The Bank		
31-12-2010	31-12-2011	31-12-2012		31-12-2010	31-12-2011	31-12-2012
37.36 per cent	46.80 per cent	35.86 per cent	Liquidity ratio (at least 30%)	35.88 per cent	46.12 per cent	35.21 per cent

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

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

The Bank has developed and continuously upgrades and improves its operational risk management tools: operational risk policy, ORSA (Operational Risk Self Assessment) and RTSA (Rogue Trading Self Assessment) methodologies, activities continuity planning requirements and continuity plans, new product and services approval process, etc..

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

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

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The Bank has the Operational Risk Committee, which is aimed at improving the operational risk management and ensure appropriate cooperation between risk managers and control units. The management board is provided with quarterly operational risk reports, which contain a review of new operational risk cases, efficiency of the application of the operational risk management measures as well as other risks.

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

Strategy risk. It is the risk caused by unfavourable or erroneous business solutions, improper implementation of decisions or insufficient response to any political changes or changes in the regulatory acts or the banking sector. Business and strategy risk management at the Bank is delegated to relevant responsible units, which based on business plans and their implementation control, identify such risks and manage/mitigate them. Said units continuously monitor the set ratios. In case any decline is found, relevant information is provided to the management board and/or other responsible persons. Also, the Bank has approved activity continuity plans.

Capital adequacy. Lithuanian banks are required to maintain capital adequacy ratio, which is calculated as the capital base to risk-weighted assets ratio. During the internal capital adequacy assessment process for 2012, the target capital adequacy ratio was set at higher than 12 per cent. In the first quarter of 2012, at the shareholder's decision the capital and at the same time capital adequacy was strengthened by profit earned in 2011 (no dividends were paid).

In 2012, on two occasions the Board of the Bank of Lithuania gave permission to the Bank to prepay, before maturity established under loan agreements, i.e. on 14 June and 26 June 2012, the subordinated loans obtained from Skandinaviska Enskilda Banken AB (publ) under subordinated loan agreements dated 14 December 2005 and 26 June 2007 worth in total EUR 70,000,000 (LTL 241,696,000). SEB bankas availed of the possibility to terminate the agreement with the aim to cut the Bank's borrowing costs and maintain the Bank's capital adequacy level. After the repayment of the loan, the Bank's capital adequacy ratio was 13.37 per cent and that of the Group was 15.17 per cent.

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

The Group			Ratio	The Bank		
31-12-2010	31-12-2011	31-12-2012		31-12-2010	31-12-2011	31-12-2012
15.95 per cent	13.59 per cent	15.17 per cent	Capital adequacy ratio	16.43 per cent	12.94 per cent	13.37 per cent

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

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

LTL million	31-12-2010	13-12-2011	13-12-2012
Loans	15,725	15,662	15,650
Investment	1,884	1,726	1,113
Lease receivables	1,695	1,673	1,503
Deposits	9,643	12,153	12,393
Amounts owed to credit and financial institutions	9,296	10,136	7,193
Equity	1,859	2,331	2,424
Assets	22,558	26,642	23,158

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

LTL million	2010	2011	2012
Net interest income (loss) after impairment losses	114.5	684.7	264.4
Other income before operating expenses, net	250.4	188.8	251.0
Result before operating expenses	364.9	873.5	515.4
Operating expenses	(309)	(343.7)	(347.8)
Intangible asset write off	-	-	(58.5)
Impairment losses on intangible assets	(71.8)	-	-
Profit (loss) before profit tax from continues activities	(15.9)	529.8	109.1
Net profit (loss) from continued activities	(17.8)	469.7	86.3

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

The Group			Ratio	The Bank		
2010	2011	2012		2010	2011	2012
15.95 per cent	13.59 per cent	15.17 per cent	Capital adequacy ratio	16.43 per cent	12.94 per cent	13.37 per cent
(0.07 per cent)	1.99 per cent	0.35 per cent	Return on Assets	(0.05 per cent)	1.72 per cent	0.53 per cent
(1.04 per cent)	21.86 per cent	3.59 per cent	Return on Equity	(0.73 per cent)	19.50 per cent	5.72 per cent
37.36 per cent	46.80 per cent	35.86 per cent	Liquidity ratio	35.88 per cent	46.12 per cent	35.21 per cent
(1.15)	30.42	5.59	Earnings per share, LTL	(0.78)	24.59	8.18
120.40	150.94	157.00	Book value per share, LTL	114.06	138.70	147.35

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

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

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

9. Major events since the end of previous financial year

On **31 January 2013**, the Bank announced that according to preliminary data, unaudited net profit earned by AB SEB bankas in 2012 was LTL 126.3 million (EUR 36.6 million), and that of the AB SEB bankas Group was LTL 86.3 million (EUR 25.0). The result has been calculated in accordance with the requirements set by the acts of the Bank of Lithuania and legal acts of the Republic of Lithuania. Over the year 2011, audited net profit earned by the Bank totalled LTL 379.8 million (EUR 110.0 million) and that by the Bank Group – LTL 469.7 million (EUR 136.0 million).

10. Issuer Group's activity plans and forecasts

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

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

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

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

In 2012, the Group carried out customer satisfaction surveys, also, surveys on the customer and general public opinion about the Group – its services, image and reputation.

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11. Financial risk management objectives

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

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

The Bank has none and during the year 2012 did not acquire its own shares. Also, the Bank's subsidiary companies have not acquired the Bank's shares. During the reporting period, the Bank and its subsidiary companies did not buy or sell their own shares.

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

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

As of 31 December 2012, the Bank had 3 branches: AB SEB bankas Eastern Region (code 112053613, address: Savanorių str. 1, LT-03116 Vilnius), AB SEB bankas Middle Region (code 112052511, address: Laisvės ave. 82/ Maironio str. 17, LT-44250 Kaunas), and AB SEB bankas Western Region (code 112052479, address: Taikos ave. 32, LT-91246 Klaipėda).

The branches consisted of a network of 46 customer service units (7 branches and 39 sub-branches) all over Lithuania.

14. The Issuer's authorised capital

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

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

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

15. Shareholders

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

16. Major investments made over the reporting period

The Group's investments over the year 2012 into fixed tangible and intangible assets did not make more than 10 per cent of the authorised capital.

17. Employees

As of 31 December 2012, the AB SEB bankas Group in Lithuania (AB SEB bankas, UAB "SEB investicijų valdymas", AB "SEB lizingas" and UAB "SEB Venture Capital") had 1,823 employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave), i.e. by 9.9 per cent less compared to the end of 2011, when the Group had 2,023 employees. As of 31 December 2012, the number of actually working employees (excluding those on maternity/paternity leave) was 1,564, i.e. 9.6 per cent less than at the end of 2011, when the actual number of the Group's employees was 1,731. A decrease in the number of employees was determined by the fact that the Group implemented operational efficiency enhancement measures.

During the year 2012, the number of employees of the Bank alone (working under labour contracts with and without a fixed term, including those on maternity/paternity leave) dropped by 10.3 per cent – from 1,968 to 1,766, and the number of the Bank's actually employed employees (excluding those on maternity/paternity leave) was 1,517, i.e. 10 per cent less than at the end of 2011, when their number was 1,686.

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In 2012, the average actual number (excluding the number of employees on maternity/paternity leave) was 1,596 employees (in 2011, it was 1,689 employees).

	The Bank			The Group		
	31-12-2010	31-12-2011	31-12-2012	31-12-2010	31-12-2011	31-12-2012
Regular employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave)	2,009	1,968	1,766	2,078	2,023	1,823
Actually number of employees (excluding those on maternity/paternity leave)	1,730	1,686	1,517	1,788	1,731	1,564

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

	Number of employees			Average monthly wages (in LTL)		
	31-12-2010	31-12-2011	31-12-2012	31-12-2010	31-12-2011	31-12-2012
Senior management staff	275	256	209	9,921	10,612	10,994
Specialists	1,726	1,704	1,538	3,341	3,445	3,610
Service staff	8	8	19	2,069	2,119	2,105
In total	2,009	1,968	1,766	-	-	-

	Number of employees	University education		College education		Secondary education	
		number	per cent	number	per cent	number	per cent
Senior management staff	209	198	94.7	4	1.9	7	3.3
Specialists	1,538	1,227	79.8	95	6.2	216	14.0
Service staff	19	9	47.4	5	26.3	5	26.3
In total	1,766	1,434	81.2	104	5.9	228	12.9

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

The information has been drawn up and announced implementing the requirements of Item 25 of Resolution of the Board of the Bank of Lithuania 'Regarding an amendment to the Board of the Bank of Lithuania Resolution 'Regarding minimum requirements for policies of remuneration to credit institution employees' No. 228, dated 10 December 2009', No. 03-175, dated 23 December 2010, also, Resolution of the Securities Commission of the Republic of Lithuania 'On approving the requirements for remuneration policies of financial brokerage companies, management companies and investment companies' No. 1K-9, dated 3 February 2011.

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

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

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

The Group abides by the remuneration policy that was approved by the Bank's supervisory council on 28 March 2012. All of the Group companies have implemented the remuneration policy requirements. When developing said remuneration policy, no services of external advisers were resorted to.

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

In 2011, the Group's remuneration committee was established, consisting of:

- Chairman of the committee – Head of SEB Business Support (Knut Jonas Martin Johansson);
- Member of the committee – Head of Finance of SEB Baltic Division (Mark Barry Payne);
- Member of the committee – Head of Legal of SEB Baltic Division (Ted Tony Kylberg);
- Member of the committee – Head of Human Relations of SEB Baltic Division (Anna Maria Erika Hamstedt).

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

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

The remuneration committee, at the proposal of the president of the Bank, takes decisions on:

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

The remuneration committee drafts and submits to the Bank's supervisory council for approval:

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

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

• Information on the relation between the remuneration and performance results

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

The Group employees' remuneration consist of the following three elements:

- remuneration by position (or hourly rate);
- variable remuneration, which may be allocated according to the following programmes:
 - o short-term incentive programme;
 - o long-term incentive programme;
- additional benefits.

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

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

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

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

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

The remuneration policy structure consists of:

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

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

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

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

Variable remuneration to the Group's employees whose professional activities and/or decisions taken may have a significant impact on the risks assumed by the Group is established according to the impact of their decisions on risk. An employee is considered to be able to take decisions that have a significant impact on the risk assumed by the Group (i.e. a risk-taker), if the employee meets at least one of the following criteria:

- employees with leading strategic positions in the Group;
- employees with risk control functions;
- employees empowered to take decisions, which may have a material impact on the Group's performance;
- employees whose remuneration is equal or exceeds the remuneration of the Group's employees in leading strategic positions.

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

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

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

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

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

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

Variable remuneration to risk-takers may be disbursed taking into account the following terms:

- sustainability of the Bank's and/or the Group's financial standing;
- implemented annual objectives of an employee, also, adherence to the requirements of the internal legal acts.

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

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

The tables below contain information on amount before taxes. The information is provided for the year 2012 according to the data as of 22 February 2013.

The Group companies	Base remuneration (LTL '000)	Variable remuneration (LTL '000)	Number of employees
AB SEB bankas	94,790	7,934	1,766
UAB "SEB investicijų valdymas"	1,164	125	13
AB "SEB lizingas"	2,679	209	42
UAB "SEB Venture Capital"	498	0	2
In total	99,131	8,268	1,823

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

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

The Bank	Base remuneration (LTL '000)	Variable remuneration (LTL '000)	Number of individuals thus remunerated
The management board	2,538	871	5
Risk-takers of the Group, excluding members of the management board	6,344	743	33
Employees	85,908	6,320	1,728
In total	94,790	7,934	1,766

The Group	Base remuneration (LTL '000)	Variable remuneration (LTL '000)	Number of individuals thus remunerated
The management board	4,048	1,037	12
The Group's risk-takers, excluding members of the management board	6,350	743	35
Employees	88,733	6,488	1,776
In total	99,131	8,268	1,823

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

The Bank	Variable remuneration paid in cash (LTL '000)	Pension contributions (LTL '000)	Shares of the Bank (LTL '000)	Equity-linked financial instruments (LTL '000)
The management board	183	0	0	688
The Group's risk-takers, excluding members of the management board	414	0	0	329
Employees	6,179	0	0	141
In total	6,776	0	0	1,158

The Group	Variable remuneration paid in cash (LTL '000)	Pension contributions (LTL '000)	Shares of the Bank (LTL '000)	Equity-linked financial instruments (LTL '000)
The management board	280	0	0	757
The Group's risk-takers, excluding members of the management board	414	0	0	329
Employees	6,347	0	0	141
In total	7,041	0	0	1,227

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

The Bank	Deferred variable remuneration (LTL '000)	Allocated deferred variable remuneration (LTL '000)	Non-allocated deferred variable remuneration (LTL '000)
The management board	698	173	525
The Group's risk-takers, excluding members of the management board	354	142	212
Employees	0	0	0
In total	1,052	315	737

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The Group	Deferred variable remuneration (LTL '000)	Allocated deferred variable remuneration (LTL '000)	Non-allocated deferred variable remuneration (LTL '000)
The management board	783	195	588
The Group's risk-takers, excluding members of the management board	354	142	212
Employees	0	0	0
In total	1,137	337	800

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

In 2012 the Bank and the Group paid variable remuneration granted in 2011

The Bank	Deferred paid in cash variable remuneration in 2011 (LTL '000)	Equity-linked financial instruments (LTL '000)*
The management board	0	213
The Group's risk-takers, excluding members of the management board	33	110
Employees	0	0
In total	33	323

The Group	Deferred paid in cash variable remuneration in 2011 (LTL '000)	Equity-linked financial instruments (LTL '000)*
The management board	0	235
The Group's risk-takers, excluding members of the management board	33	110
Employees	0	0
In total	33	345

* SEB share price (A class) has been calculated according to the rate of exchange as of 22 February 2013 of the Stockholm Exchange

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

In 2012, there were no such amounts in the Bank and the Group.

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

The Bank	Number of individuals paid the severance pay	Total amount of severance pays paid upon termination of labour contracts* (LTL '000)	Maximum amount allocated per single individual (LTL '000)*
	126	5,211	402

* including pays for unused vacation, taxes.

The Group	Number of individuals paid the severance pay	Total amount of severance pays paid upon termination of labour contracts* (LTL '000)	Maximum amount allocated per single individual (LTL '000)*
	132	5,440	402

* including pays for unused vacation, taxes.

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

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

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

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

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

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

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

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

20. The Issuer's bodies

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

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

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

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

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

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

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

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

THE SUPERVISORY COUNCIL OF THE BANK (31 December 2012)

KNUT JONAS MARTIN JOHANSSON

Head of Business Support Division of Swedish bank SEB. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.

Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2009, Chairman of the Supervisory Council since 13 November 2009.

MARK BARRY PAYNE

Head of Finance of SEB Baltic Division. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.

Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2009.

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CARL STEFAN DAVILL

Head of Operations and IT of the SEB Group. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.

Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2009.

STEFAN STIGNĀS

Head of Retail Banking, SEB Baltic Division. Education: university degree, specialisation – economics. No shares of the Bank are held by the Member.

Member of the Supervisory Council elected by an extraordinary meeting of shareholders of SEB Bank held on 29 October 2009.

TED TONY KYLBERG

Head of Legal of SEB Baltic Division. Education: university degree, specialisation – law. No shares of the Bank are held by the Member.

Member of the Supervisory Council elected by an annual general meeting of shareholders of SEB Bank held on 25 March 2010.

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

THE MANAGEMENT BOARD OF THE BANK (31 December 2012)

RAIMONDAS KVEDARAS

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

AIVARAS ČIČELIS

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

ROBERTS BERNIS

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

VIRGINIJUS DOVEIKA

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

JONAS IRŽIKEVIČIUS

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

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

CHIEF EXECUTIVE OFFICER

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

CHIEF FINANCIAL OFFICER

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

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

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Information on disbursements over the reporting period to the Management Board members holding also other positions in the Bank is provided in the table below. Variable remuneration portion to members of the Management Board over the year 2012 has been allocated in 2013 – relevant information is provided under Article 18 of the present Report.

	Amounts in connection with labour relations	Property assigned gratis	Guarantees issued in the name of the company
In total to all members of the Management Board (LTL '000) before taxes, of which:	3,429	-	-
amounts based on a labour contract (LTL'000)	2,628	-	-
employer's social security contributions (LTL'000)	801	-	-
Other disbursements, including the employer's social security contributions (LTL'000)**:	295	-	-
Per member of the Management Board on average (LTL'000) before taxes: *	686	-	-
amounts based on a labour contract (LTL'000)	526	-	-
employer's social security contributions (LTL'000)	160	-	-
During the year 2012 calculated amounts to the Company's Chief Executive Officer and Chief Financial Officer (LTL'000) before taxes:			
amounts calculated to the Company's Chief Executive Officer during the year 2012 based on labour contract (LTL'000)	728	-	-
amounts calculated to the Company's Chief Financial Officer during the year 2012 based on labour contract (LTL'000)	442	-	-

* The Management Board consists of 5 members.

** Bonus, daily allowances exceeded the set standard.

On 11 October 2012, the Bank's supervisory council approved a new composition of the Bank's audit and compliance committee. The committee is an advisory body to the Bank's supervisory council / management board in of accounting, compliance, audit, risk management, internal audit and control as well as in other areas of the audit committee competence as provided for by relevant existing documents.

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

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

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(all amounts in LTL thousand, unless indicated otherwise)

- approving the general audit plan of the work of the Bank's internal audit subdivision;
- other issues that fall within the competence of the committee according to the requirements of laws and legal acts as well as according to the policy and instructions of the Bank and/or the entire Group.

AUDIT AND COMPLIANCE COMMITTEE (31 December 2012)

MARK BARRY PAYNE

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

GÖRAN RASPE

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

AUŠRA MATUSEVIČIENĖ

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

BEN WILSON

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

ARNOLDS ČULKSTENS

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

JONAS GUDMUNDSSON

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

On 16 November 2011, the Supervisory Council of the Bank approved a new composition of the Bank's Remuneration Committee. Information on its composition and areas of activities is provided under Article 18 of the present Report.

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

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

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

On 10 February 2012, the administration of the Bank and representatives of the Bank employees signed an updated collective bargaining agreement at a two-year effective period. The present Agreement superseded the Bank's collective bargaining agreement that was effective since 11 February 2010. The collective bargaining agreement regulates labour relations as well as terms and conditions, defines mutual obligations of the employer and the employees, additional incentive measures for the employees as well as other labour relations terms and conditions on which the employees and the employer have mutually agreed, for instance, on a sum-total working hours time, calculation of the employment record, additional vacations, etc. The collective bargaining agreement has been signed by and between the administration of SEB Bank and representatives of the labour council. The labour council of the Bank consists of 15 employees of the Bank elected by secret vote holding different positions at the Bank. The collective bargaining agreement includes the terms and conditions of work and the aspects on which it may be directly agreed with the employer.

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

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

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

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

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(all amounts in LTL thousand, unless indicated otherwise)

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

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

Over the reporting period, the Competition Council of the Republic of Lithuania (hereinafter the 'Competition Council') took a decision by which, having assessed the circumstances found during the investigation, it stated that AB SEB bankas and other economic entities indicated in the decision have violated Article 5 of the Law of the Republic of Lithuania on Competition that prohibits any competition-restricting arrangements and, having taken into account the character and scope of actions, recognised that the arrangements of AB SEB bankas and other economic entities indicated in the decision had an impact on trade among the EU Member States, therefore, the provisions of Article 101 of the Treaty on the Functioning of the European Union were violated. The Competition Council imposed a fine of more than LTL 57 million in total on AB SEB bankas and other economic entities indicated in the decision for the arrangements that restricted competition in the markets of cash management and cash collection services. AB SEB bankas was imposed a fine of LTL 24,808,200. AB SEB bankas appealed against such decision of the Competition Council. But at the year end AB SEB bankas made a provision for the fine imposed amounting to LTL 24,808,200.

26. Data on information in public 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 OMX Vilnius, as well as the Lithuanian Securities Commission with the information on each material event in accordance with the procedure established by the Lithuanian Securities Commission. Information on each material event has to be made publicly available and provided to the central database of regulated information.

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

On 7 February 2012, the Bank announced that According to preliminary data, unaudited net profit earned over the year 2011 by AB SEB bankas is LTL 379.8 million (EUR 110.0 million) and by AB SEB bankas Group is LTL 469.7 million (EUR 136.0 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 year 2010, audited net loss suffered by AB SEB bankas totaled LTL 12.1 million (EUR 3.5 million) and by the Bank's Group – LTL 18.0 million (EUR 5.2 million). The result of the year 2011 of AB SEB bankas includes sale profit resulting from transfer of shares of the Bank's subsidiary company UAB "SEB Enskilda" to SEB Group. The result of the year 2011 of the AB SEB bankas Group doesn't include the result of UAB "SEB Enskilda".

On 9 February 2012, the Bank announced that On 8 February, 2012 the Supervisory Council of the AB SEB bankas has resolved to reelect the Management Board of AB SEB bankas for a new four-year tenure. Current Members of the Management Board – Raimondas Kvedaras, Jonas Iržikevičius, Roberts Bernis, Aivaras Čičelis and Virginijus Doveika were appointed as members of the Management Board of AB SEB bankas for the new four-year tenure. The Management Board was reelected due to the expiry of the four-year tenure of the Management Board determined in the Articles of Association of AB SEB bankas. On 8 February, 2012 the Management Board of AB SEB bankas appointed Raimondas Kvedaras as a Chairman of the Management Board of AB SEB bankas.

On 13 March 2012, the Bank announced that on the 30th of March 2012, the Annual General Meeting of Shareholders of AB SEB bankas (hereinafter – the Bank) will take place. The Annual General Meeting is initiated and convened by the Board of the Bank. 100 % of shares of the Bank is owned by Skandinaviska Enskilda Banken AB.

Issues on the agenda:

1. Regarding the Annual Report of the Bank;
2. Regarding the Report of the Auditor of the Bank;
3. Regarding the comments and proposals of the Supervisory Council of the Bank;
4. Regarding approval of the Consolidated Financial Statements of the Bank for the Year 2011;
5. Regarding appropriation of the Year 2011 profit (loss) of the Bank.

The Board of the Bank also approved the draft decisions of the Annual General Meeting of Shareholders of the Bank.

On 30 March 2012, the Bank announced that on the 30th March 2012, the Annual General Meeting of Shareholders of AB SEB bankas (hereinafter – the SEB Bank) took place and decisions on all issues on the agenda were adopted:

1. SEB Bank Group's year 2011 Consolidated Annual Report and its Annex "Disclosure form concerning the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius" have been familiarized with;
2. Report of the audit company UAB "PricewaterhouseCoopers", which has performed the audit, have been familiarized with;
3. Comments and proposals of the Supervisory Council of SEB Bank regarding SEB Bank's Activity Strategy, its Annual Consolidated Financial Statements, Draft Profit (Loss) Appropriation and SEB Bank's Consolidated Annual Report as well as the activities of SEB Bank's Management Board and President have been familiarized with;
4. SEB Bank's and SEB Bank Group's year 2011 Consolidated Financial Statements produced in accordance with the International Financial Reporting Standards (enclosed) were approved;
5. Appropriation of the year 2011 profit (loss) of SEB Bank was approved.

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(all amounts in LTL thousand, unless indicated otherwise)

On 24 April 2012, the Bank announced that according to preliminary data, unaudited net profit earned over the first quarter of the year 2012 by AB SEB bankas is LTL 30.7 million (EUR 8.9 million) and by AB SEB bankas Group is LTL 41.5 million (EUR 12.0 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 first quarter of the year 2011, unaudited net profit earned by AB SEB bankas totalled LTL 97.6 million (EUR 28.3 million) and by the Bank's Group – LTL 174.1 million (EUR 50.4 million).

On 11 July 2012, the Bank announced that on 10 July 2012 AB SEB bankas received from the Competition Council of the Republic of Lithuania (hereinafter the Competition Council) the Statement of Objections on the investigation performed regarding compatibility of the actions of AB SEB bankas and several other entities with the requirements of the Article 5 of the Competition Law of Republic of Lithuania and requirements of the Article 101 of the Treaty on the Functioning of European Union (hereinafter the Statement of Objections). According to the preliminary view of the investigators who prepared the Statement of Objections, the actions of AB SEB bankas allegedly harmed competition in cash handling and collection services markets.

The sending of the Statement of Objections to the parties involved in the investigation does not mean that it is already determined that the infringement was made by AB SEB bankas and the findings of the investigation do not restrain the Competition Council taking the final decision after completing all the procedures associated with this investigation. If the Competition Council acknowledges the evidence of the infringement to be sufficient, it may require AB SEB bankas to cease the infringement and impose the fine up to 10 percent of the total annual revenue of the last financial year.

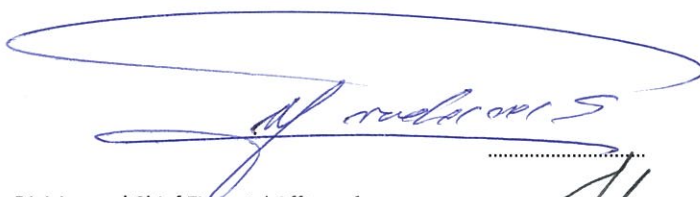
On 16 July 2012, the Bank announced that according to preliminary data, unaudited net profit earned over the first half-year of the year 2012 by AB SEB bankas is LTL 59.5 million (EUR 17.2 million) and by AB SEB bankas Group is LTL 80.4 million (EUR 23.3 million). The result has been calculated in accordance 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 the year 2011, unaudited net profit earned by AB SEB bankas totaled LTL 199.5 million (EUR 57.8 million) and by the Bank's Group – LTL 356.5 million (EUR 103.2 million).

On 25 October 2012, the Bank announced that according to preliminary data, unaudited net profit earned over the three quarters of the year 2012 by AB SEB bankas is LTL 103.1 million (EUR 29.9 million) and by AB SEB bankas Group - LTL 137.0 million (EUR 39.7 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 the year 2011, unaudited net profit earned by AB SEB bankas totaled LTL 246.7 million (EUR 71.4 million) and by the Bank's Group – LTL 431.5 million (EUR 125.0 million).

On 20 December 2012, the Bank announced that on 20 December 2012 the Competition Council of the Republic of Lithuania (hereinafter the Competition Council) adopted a decision whereby after considering all the circumstances under investigation has found AB SEB bankas and several other entities in breach of Article 5 of the Law on Competition, prohibiting anticompetitive agreements, and in view of the nature and the scope of the actions concerned, the agreements concluded between AB SEB bankas and several other entities have been found to have impact on the trade between the EU member countries and thus violate Article 101 of the Treaty on the Functioning of the European Union. The Competition Council imposed fines exceeding LTL 57 million on AB SEB bankas and several other entities for agreements which restricted competition in cash-in-transit (CIT) and cash handling services' markets. AB SEB bankas was imposed with a LTL 24 808 200 fine. SEB bankas will appeal the decision of the Competition Council.

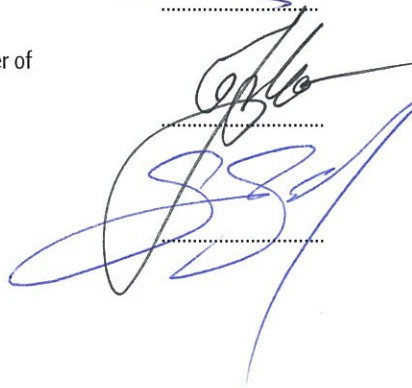
Also, over the reporting period the Bank made 17 public announcements of additional information (as per paragraph 5 of Article 25 of the Law of the Republic of Lithuania on Securities) and 15 public announcements of periodic information (as per Article 20 of the Law of the Republic of Lithuania on Securities).

President of SEB Bank



Raimondas Kvedaras

Head of Business Support Division and Chief Financial Officer of SEB Bank



Jonas Iržikevičius

Director of Finance Department of SEB Bank

Saulius Salda

Vilnius,
13 March 2013

INCOME STATEMENT

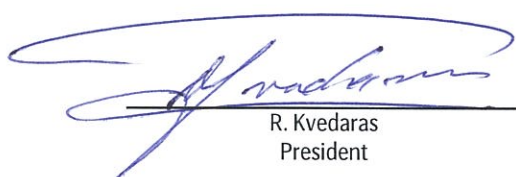
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in LTL thousand unless otherwise stated)

The Group			The Bank		
2012	2011		Note	2012	2011
625,451	751,997	Interest income		572,113	680,314
(335,802)	(398,850)	Interest expenses		(318,361)	(364,335)
289,649	353,147	Net interest income	6	253,752	315,979
(55,031)	124,092	Impairment (losses)/ reversals on loans	7	(55,031)	124,092
27,412	201,630	Impairment reversals on lease portfolio	7	-	-
2,380	5,789	Provisions, reversals for guarantees and other off balance sheet items		2,380	5,789
(25,239)	331,511	Total impairment (losses), reversals		(52,651)	129,881
264,410	684,658	Net interest income after impairment losses		201,101	445,860
251,454	229,013	Fee and commission income	8	239,939	218,227
(66,806)	(61,948)	Fee and commission expenses	8	(66,263)	(61,431)
184,648	167,065	Net fee and commission income		173,676	156,796
(7,152)	(38,671)	Net losses on operations with debt securities and derivative financial instruments	10	(7,031)	(38,671)
(859)	1,121	Net (loss) gain on investment securities		(859)	1,399
-	(390)	Impairment loss on investment securities available for sale		-	(390)
-	(1,166)	Net gain (loss) on disposal of subsidiaries	25	-	6,376
-	-	Dividend income from subsidiaries	9	8,344	6,064
67,833	54,738	Net foreign exchange gain	11	67,850	54,778
6,492	6,113	Other income, net		6,342	5,020
66,314	21,745	Net investment activities		74,646	34,576
(141,720)	(140,201)	Staff costs	12	(136,078)	(134,415)
(264,563)	(203,477)	Other administrative expenses	13	(256,678)	(194,547)
109,089	529,790	Operating profit		56,667	308,270
-	-	Impairment reversal on investment in subsidiaries	25	83,000	107,000
109,089	529,790	Profit before income tax		139,667	415,270
(22,771)	(60,139)	Income tax expenses	14	(13,380)	(35,508)
86,318	469,651	Net profit for the year		126,287	379,762
86,318	469,651	Attributable to: Owners of the Bank		126,287	379,762
-	-	Non controlling interest		-	-
86,318	469,651			126,287	379,762

The accompanying notes on pages 31 to 103 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 13 March 2013 and signed by:


R. Kvedaras
President


J. Ilniškis
Head of Business Support Division,
CFO

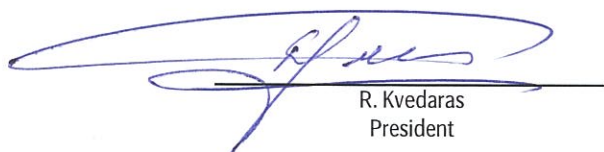
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

The Group			The Bank	
2012	2011		2012	2011
86,318	469,651	Net profit for the year	126,287	379,762
		Other comprehensive income:		
5,184	(4,157)	Net gain (loss) on available for sale assets	5,184	(4,157)
1,450	3,075	Amortisation of financial assets revaluation reserve of reclassified financial assets	1,450	3,075
(995)	195	Income tax relating to the components of other comprehensive income	(995)	195
5,639	(887)	Total other comprehensive income/ (loss)	5,639	(887)
91,957	468,764	Total comprehensive income	131,926	378,875
		Attributable to:		
91,957	468,764	Owners of the Bank	131,926	378,875
-	-	Non controlling interest	-	-
91,957	468,764		131,926	378,875

The accompanying notes on pages 31 to 103 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 13 March 2013 and signed by:



R. Kvedaras
President



J. Kzikevičius
Head of Business Support Division,
CFO

STATEMENT OF FINANCIAL POSITION

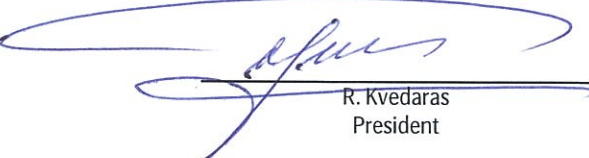
AS OF 31 DECEMBER 2012

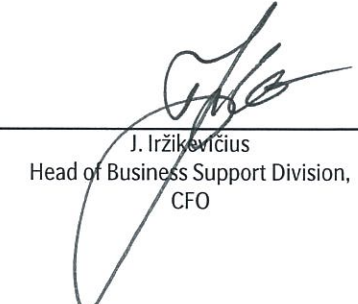
(All amounts in LTL thousand unless otherwise stated)

The Group				The Bank	
2012	2011		Note	2012	2011
Assets					
443,393	634,922	Cash on hand		443,393	634,922
1,002,933	3,438,209	Balances with the Central Bank	16	1,002,933	3,438,209
2,666,929	2,718,507	Due from banks	17	2,666,929	2,718,507
60,900	52,911	Government securities available for sale	18	60,234	51,921
		Financial assets at fair value through			
651,603	69,881	profit and loss	19	608,544	28,376
355,201	193,054	Derivative financial instruments	20	355,201	193,054
6,802	12,706	Loans to credit and financial institutions	21	737,926	439,302
15,642,962	15,649,121	Loans to customers	7, 22	15,668,920	15,678,432
1,502,759	1,673,486	Finance lease receivables	23	-	-
		Investment securities:			
386,010	1,588,260	– loans and receivables	24	386,010	1,588,260
200	376	– available for sale	24	200	376
13,812	14,148	– held to maturity	24	13,812	14,148
-	-	Investments in subsidiaries	25	307,900	224,900
58,260	132,970	Intangible fixed assets	26	57,827	132,730
22,645	33,121	Property, plant and equipment	27	22,127	32,357
375	841	Assets under operating lease	28	-	-
23,686	27,960	Non-current assets held for sale	44	-	29
14,232	40,702	Investment property	29	1,332	1,471
190,998	213,596	Deferred tax asset	14	143,064	157,440
113,842	147,390	Other assets	30	107,275	143,139
23,157,542	26,642,161	Total assets		22,583,627	25,477,573
Liabilities					
37	32	Due to the Central Bank		37	32
7,193,144	10,135,681	Due to credit and financial institutions	31	6,791,475	9,176,873
377,836	239,686	Derivative financial instruments	20	377,836	239,686
12,393,252	12,152,999	Deposits from public	32	12,393,390	12,158,994
61,181	36,016	Accrued expenses and deferred income	35	59,150	33,659
1,316	-	Income tax payable		-	-
-	244,218	Subordinated loans	33	-	244,218
561,016	565,598	Debt securities in issue	34	561,016	565,598
145,409	937,172	Other liabilities and provisions	35	125,384	916,735
20,733,191	24,311,402	Total liabilities		20,308,288	23,335,795
Equity					
Equity attributable to owners of the Bank					
1,034,575	1,034,575	Share capital	36	1,034,575	1,034,575
2,200	2,200	Reserve capital		2,200	2,200
(4,098)	(9,737)	Financial assets revaluation reserve		(4,098)	(9,737)
239,612	194,708	Legal reserve		236,737	191,184
14,132	12,497	General and other reserves		14,132	12,497
1,137,930	1,096,516	Retained earnings		991,793	911,059
2,424,351	2,330,759			2,275,339	2,141,778
-	-	Non controlling interest in equity		-	-
2,424,351	2,330,759	Total equity		2,275,339	2,141,778
23,157,542	26,642,161	Total liabilities and equity		22,583,627	25,477,573

The accompanying notes on pages 31 to 103 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 13 March 2013 and signed by:


R. Kvedaras
President

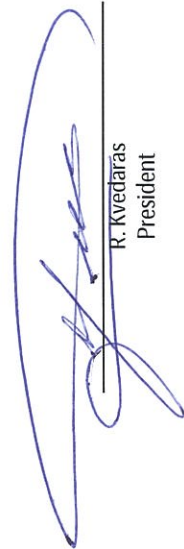

J. Iržikavičius
Head of Business Support Division,
CFO

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012**
(All amounts in LTL thousand unless otherwise stated)

The Group	Note	Equity attributable to owners of the Bank						
		Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total before noncontrolling interest
31 December 2010		1,034,575	1,034	(8,850)	165,425	10,846	656,148	1,859,178
Net change in available for sale investments, net of deferred tax		-	-	(3,962)	-	-	-	(3,962)
Amortisation of financial assets revaluation reserve of reclassified financial assets		-	-	3,075	-	-	-	3,075
Net profit for the year		-	-	-	-	-	469,651	469,651
Total comprehensive income		-	-	(887)	-	-	469,651	468,764
Sales of UAB SEB Enskilda		-	1,166	-	-	-	-	1,166
Share-based compensation		-	-	-	-	1,651	-	1,651
Transfers to reserves		-	-	-	29,283	-	(29,283)	-
31 December 2011		1,034,575	2,200	(9,737)	194,708	12,497	1,096,516	2,330,759
Net change in available for sale investments, net of deferred tax	36	-	-	4,189	-	-	-	4,189
Amortisation of financial assets revaluation reserve of reclassified financial assets	36	-	-	1,450	-	-	-	1,450
Net profit for the year		-	-	-	-	-	86,318	86,318
Total comprehensive income		-	-	5,639	-	-	86,318	91,957
Other movements		-	-	-	(711)	-	711	-
Share-based compensation		-	-	-	-	1,635	-	1,635
Transfers to reserves		-	-	-	45,615	-	(45,615)	-
31 December 2012		1,034,575	2,200	(4,098)	239,612	14,132	1,137,930	2,424,351

The accompanying notes on pages 31 to 103 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 13 March 2013 and signed by:


R. Kvedaras
President


J. Irzikevicius
Head of Business Support Division,
CFO

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012**
(All amounts in LTL thousand unless otherwise stated)

The Bank	Note	Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total Equity
31 December 2010		1,034,575	2,200	(8,850)	163,221	10,846	559,260	1,761,252
Net change in available for sale investments, net of deferred tax		-	-	(3,962)	-	-	-	(3,962)
Amortisation of financial assets revaluation reserve of reclassified financial assets		-	-	3,075	-	-	-	3,075
Net profit for the year		-	-	-	-	-	379,762	379,762
<i>Total comprehensive income</i>		-	-	(887)	-	-	379,762	378,875
Share-based compensation		-	-	-	-	1,651	-	1,651
Transfers to reserves		-	-	-	27,963	-	(27,963)	-
31 December 2011		1,034,575	2,200	(9,737)	191,184	12,497	911,059	2,141,778
Net change in available for sale investments, net of deferred tax	36	-	-	4,189	-	-	-	4,189
Amortisation of financial assets revaluation reserve of reclassified financial assets	36	-	-	1,450	-	-	-	1,450
Net profit for the year		-	-	-	-	-	126,287	126,287
<i>Total comprehensive income</i>		-	-	5,639	-	-	126,287	131,926
Share-based compensation		-	-	-	-	1,635	-	1,635
Transfers to reserves		-	-	-	45,553	-	(45,553)	-
31 December 2012		1,034,575	2,200	(4,098)	236,737	14,132	991,793	2,275,339

The accompanying notes on pages 31 to 103 are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 13 March 2013 and signed by:


R. Kvedaras
President


J. Krizkevičius
Head of Business Support Division,
CFO

[illegible]

The accompanying notes on pages 31 to 103 are an integral part of these financial statements.

(Concluded)

The financial statements were approved by the Board of the Bank on 13 March 2013 and signed by:


J. Irzikevičius
Head of Business Support Division,
CFO

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

NOTE 1 GENERAL INFORMATION

AB SEB bankas (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.

The Head Office of the Bank is located at Gedimino pr. 12, Vilnius. As of 31 December 2012 the Bank had 46 customer service branches (as of 31 December 2011 – 55).

As of 31 December 2012 AB SEB bankas had 3 subsidiaries (as of 31 December 2011 – 3). The Bank and its subsidiaries thereafter are referred to as the Group.

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities as well as performs other activities set in the Law on Banks (except for operations with precious metals). Activities of subsidiaries are explained in note 25.

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

These consolidated and stand-alone financial statements have been approved by the Board of the Bank on 13 March 2013. Neither the Bank's shareholders nor others have the power to amend the financial statements after issue.

NOTE 2 ADOPTION OF NEW AND REVISED STANDARDS

a) Amendments to existing standards and interpretations effective in 2012

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment did not have an impact on the Bank and the Group's financial statements.

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

Presentation of Items of Other Comprehensive Income, amendments to IAS 1 (effective for annual periods beginning on or after 1 July 2012). The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Bank and the Group expects the amended standard to change presentation of their financial statements, but have no impact on measurement of transactions and balances.

IFRS 10, Consolidated Financial Statements. Replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities" (effective for annual periods beginning on or after 1 January 2014). IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 12, Disclosure of Interest in Other Entities (effective for annual periods beginning on or after 1 January 2014). Applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 13, Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013). Aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Bank and the Group are currently assessing the impact of the standard on their financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

NOTE 2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

IAS 27 (revised 2011), Separate Financial Statements. (effective for annual periods beginning on or after 1 January 2014). The objective of the revised standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Bank is currently assessing the impact of the amended standard on its financial statements.

Amended IAS 19, Employee Benefits (effective for annual periods beginning on or after 1 January 2013). Makes significant changes (i) to the recognition and measurement of defined benefit pension expense and termination benefits, and (ii) to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The amendment did not have an impact on the Bank's and the Group's financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Bank and the Group are currently assessing the impact of the amendments on the Group and the timing of its adoption by the Group.

Disclosures – Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

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

a) Basis of Presentation

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

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

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

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

b) Basis of Accounting

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

c) Consolidated Subsidiaries and Associates

Subsidiaries are all entities, over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Investments in subsidiaries in the Bank's stand alone financial statements are accounted for using the cost method less impairment and are initially recognized at cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

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

c) Consolidated Subsidiaries and Associates (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

d) Foreign Currency Translation

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

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

e) Income Recognition

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

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

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

f) Taxation

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

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

f) Taxation (continued)

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

g) Share-based Payments

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

h) Dividend Income

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

i) Cash

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

j) Financial Assets

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

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

j) Financial Assets (continued)

comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available for sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

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 re-measured 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 gains (losses) on operations with debt securities and derivative financial instruments'.

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

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group and the Bank documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Bank has fair value hedge relationship where hedging instrument is interest rate swap (see note 20) and hedged item Lithuanian Government Eurobonds (accounted for as available for sale investments until 1 July 2008 and vast majority being reclassified to loans and receivables category starting from 1 July 2008). Hedged risk is the change in fair value of the bonds due to market interest rate volatility. After the reclassification to loans and receivables category fair value hedge relationships were continued.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset that are attributable to the hedged risk (see note 10).

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

m) Impairment of Financial Assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

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

m) Impairment of Financial Assets (continued)

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 group of the assets and historical loss experience for assets with credit risk characteristics similar to those of the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

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

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

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

n) Finance Lease Receivable

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**
o) Operating Lease – the Group/the Bank as a Lessor

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

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

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

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

q) Fixed Assets

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

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

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

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

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

r) Investment Property

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

Asset category	Depreciation period (years)
Buildings	25-50

s) Goodwill

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

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

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. Some hybrid instruments are measured at fair value through profit (loss) in order to reduce inconsistency that would otherwise arise from using different measurement basis.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

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

z) Fiduciary Activities

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

aa) Financial Guarantees Contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's and the Group'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'. Income from financial guarantees is recognised in income statement as fee and commission income.

bb) Comparative information

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

cc) Segment Reporting

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

dd) Critical Accounting Estimates and Judgements in Applying Accounting Policies

Impairment Losses on Loans and Receivables

The Bank and the Group review their loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group and the Bank make judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. For individually impaired loans if the collateral value differs by +/-5% while other factors are unchanged, the provision for the Bank would be estimated higher or lower on an average by LTL 34,965 thousand (2011: LTL 45,752 thousand), If the net present value of estimated cash flows differs by +/-5% while other factors are unchanged the provision for the Bank would be estimated higher or lower by LTL 5,000 thousand (2011: LTL 5,756 thousand) of which LTL 3,308 thousand (2011: 4,002 LTL thousand) coming from loans and receivables assessed individually and LTL 1,692 thousand (2011: LTL 1,754 thousand) from loans and receivables assessed on a pool basis. For individually impaired loans if the collateral value differs by +/-5% while other factors are unchanged, the provision for the Group would be estimated higher or lower on an average by LTL 38,679 thousand (2011: LTL 51,502 thousand), If the net present value of estimated cash flows differs by +/-5% while other factors are unchanged the provision for the Group would be estimated higher or lower by LTL 8,882 thousand (2011: LTL 10,806 thousand) of which LTL 4,799 thousand (2011: 6,361 LTL thousand) coming from loans and receivables assessed individually and LTL 4,083 thousand (2011: LTL 4,445 thousand) from loans and receivables assessed on a pool basis. Renegotiated loans are no longer considered to be past due.

Initial Recognition of Related Party Transactions

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

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

dd) Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Finance Leases and Derecognition of Financial Assets

Management applies judgment to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards. The Group considers that risks and rewards are substantially transferred if present value of minimal lease payments amounts to at least substantially all of acquisition value of the asset leased at the inception of the lease; the lessor transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at a price that is expected to be substantially lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; the lease term is for the major part of the economic life of the asset even if title is not transferred; or the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Fair Value of Derivatives

The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. All such not quoted derivative financial transactions are entered with SEB group. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. For pricing of options Black-Scholes model is used, with only observable market data (eg. historical volatility, market interest rates, market prices).

Impairment testing of investments into Bank's subsidiaries

Continuing losses of AB "SEB lizingas" triggered impairment tests of cost of investment into this subsidiary during previous years. As of December 2009, net assets of this subsidiary were negative and cost of investment was reduced to zero value. However impairment tests carried at the end of the years 2010 - 2012 revealed the need of impairment loss reversals amounting to LTL 273,000 thousand in total.

When calculating recoverable amount of this investment as at 31 December 2012 value in use method has been used.

Key management assumptions in calculating value in use included:

- Cash flow projections for years 2013-2015 has been based on budgets approved by the Group's management;
- Cash flow projections for years 2016-2020 has been based on best estimate of Lithuanian economic and financial sector development;
- Discount rate has been established as cost of equity from independent experts of Nomura bank and equalled 11.3 per cent. Change in discount rate by 1bp would result in change of recoverable amount by LTL 3 million.

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

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

Tax and deferred tax

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

The deferred tax assets recognised at 31 December 2012 have been based on future profitability assumptions of the Bank and the Group over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

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

	2012		2011	
	Book value	Fair value	Book value	Fair value
Balances with the Central Bank	1,002,933	1,002,783	3,438,209	3,438,037
Due from banks	2,666,929	2,665,395	2,718,507	2,708,805
Loans to credit and financial institutions	6,802	6,812	12,706	12,667
Loans to customers				
Public sector	443,240	425,012	455,600	428,242
Corporate	8,392,305	8,338,102	8,103,020	7,965,640
Private individuals	6,807,417	6,167,317	7,090,501	6,655,766
Investment securities - loans and receivables	386,010	389,545	1,588,260	1,569,535
Finance lease receivable	1,502,759	1,517,772	1,673,486	1,642,735
Investment securities – held to maturity	13,812	13,438	14,148	12,792
Total financial assets valued at amortised cost	21,222,207	20,526,176	25,094,437	24,434,219
Due to the Central Bank	37	37	32	32
Due to credit and financial institutions	7,193,144	7,273,196	10,135,681	10,245,995
Current and demand deposits	8,575,501	8,575,501	7,922,423	7,922,421
Term deposits from the public	3,817,751	3,836,602	4,230,576	4,192,154
Subordinated loans	-	-	244,218	239,979
Debt securities in issue	554,026	556,923	565,598	578,622
Total financial liabilities valued at amortised cost	20,140,459	20,242,259	23,098,528	23,179,203

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:

	2012		2011	
	Book value	Fair value	Book value	Fair value
Balances with the Central Bank	1,002,933	1,002,783	3,438,209	3,438,037
Due from banks	2,666,929	2,665,395	2,718,507	2,708,805
Loans to credit and financial institutions	737,926	726,270	439,302	415,665
Loans to customers				
Public sector	443,240	425,012	455,600	428,242
Corporate	8,418,263	8,363,911	8,132,331	7,994,622
Private individuals	6,807,417	6,167,317	7,090,501	6,655,766
Investment securities - loans and receivables	386,010	389,545	1,588,260	1,569,535
Investment securities – held to maturity	13,812	13,438	14,148	12,792
Total financial assets valued at amortised cost	20,476,530	19,753,671	23,876,858	23,223,464
Due to the Central Bank	37	37	32	32
Due to credit and financial institutions	6,791,475	6,872,935	9,176,873	9,275,805
Current and demand deposits	8,575,639	8,575,639	7,928,418	7,928,418
Term deposits from the public	3,817,751	3,836,602	4,230,576	4,192,154
Subordinated loans	-	-	244,218	239,979
Debt securities in issue	554,026	556,923	565,598	578,622
Total financial liabilities valued at amortised cost	19,738,928	19,842,136	22,145,715	22,215,010

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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

Loans to credit and financial institutions balances with the Central Bank and other due from banks. 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 are net of provisions for impairment. The estimated fair value of loans and receivables 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.

Due 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 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:		
	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
31 December 2012			
Government securities available for sale	60,900	-	-
Financial assets at fair value through profit and loss	608,544	-	43,059
Derivative financial instruments (assets)	1,255	353,946	-
Investment securities – available for sale	-	-	200
Derivative financial instruments (liabilities)	(5,336)	(370,523)	(1,977)
Debt securities in issue	-	6,990	-
Total	665,363	(9,587)	41,282

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

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

	Fair value measurement at the end of reporting period based on:		
	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
31 December 2011			
Government securities available for sale	52,911	-	-
Financial assets at fair value through profit and loss	28,376	-	41,505
Derivative financial instruments (assets)	-	193,054	-
Investment securities – available for sale	176	-	200
Derivative financial instruments (liabilities)	-	(239,686)	-
Total	81,463	(46,632)	41,705

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:		
	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
31 December 2012			
Government securities available for sale	60,234	-	-
Financial assets at fair value through profit and loss	608,544	-	-
Derivative financial instruments (assets)	1,255	353,946	-
Investment securities – available for sale	-	-	200
Derivative financial instruments (liabilities)	(5,336)	(370,523)	(1,977)
Debt securities in issue	-	6,990	-
Total	664,697	(9,587)	(1,777)

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

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

	Fair value measurement at the end of reporting period based on:		
	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
31 December 2011			
Government securities available for sale	51,921	-	-
Financial assets at fair value through profit and loss	28,376	-	-
Derivative financial instruments (assets)	-	193,054	-
Investment securities – available for sale	176	-	200
Derivative financial instruments (liabilities)	-	(239,686)	-
Total	80,473	(46,632)	200

Financial Risk Management PolicyDefinition of Risk

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

Credit Risk

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

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

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

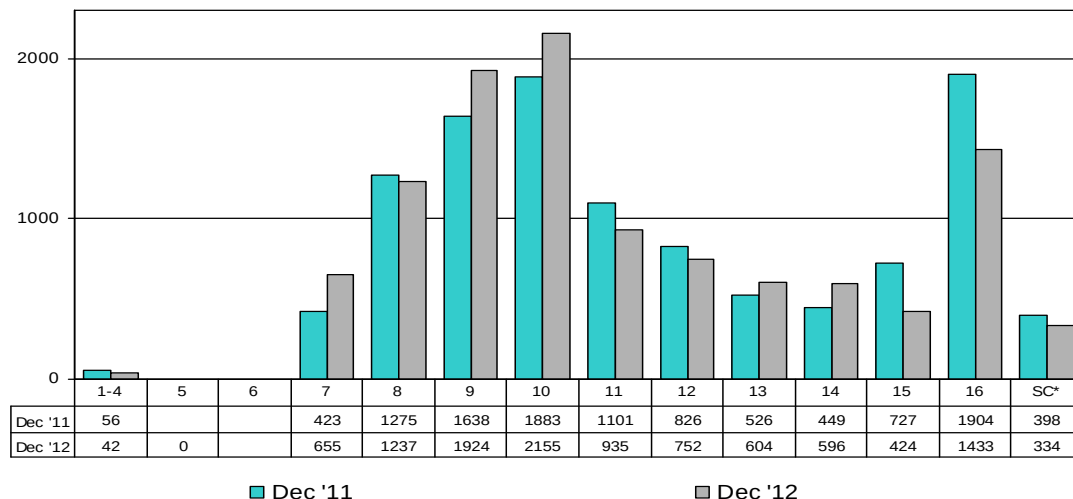
Scoring models are used in credit risk assessment process of Retail exposures, i.e small enterprises and private individuals. The application scoring models are used for the assessment of counterparty risk (Probability of Default) and transaction risk (Loss Given Default) during customer credit application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

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

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



*SC – small corporates

The analysis in the table above did not include private individuals LTL 7,199 million (2011: LTL 7,482 million), accrued interest LTL 14 million (2010: LTL 15 million) and provisions for impairment losses LTL 1,158 million (2011: LTL 1,380 million).

Impairment Losses on Loans and Receivables

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

Methodology and presumptions used in the forecast of future cash flows and time with the aim to reduce a mismatch between forecasted and actual losses are revised on regular basis.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**
Financial Risk Management Policy (continued)

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

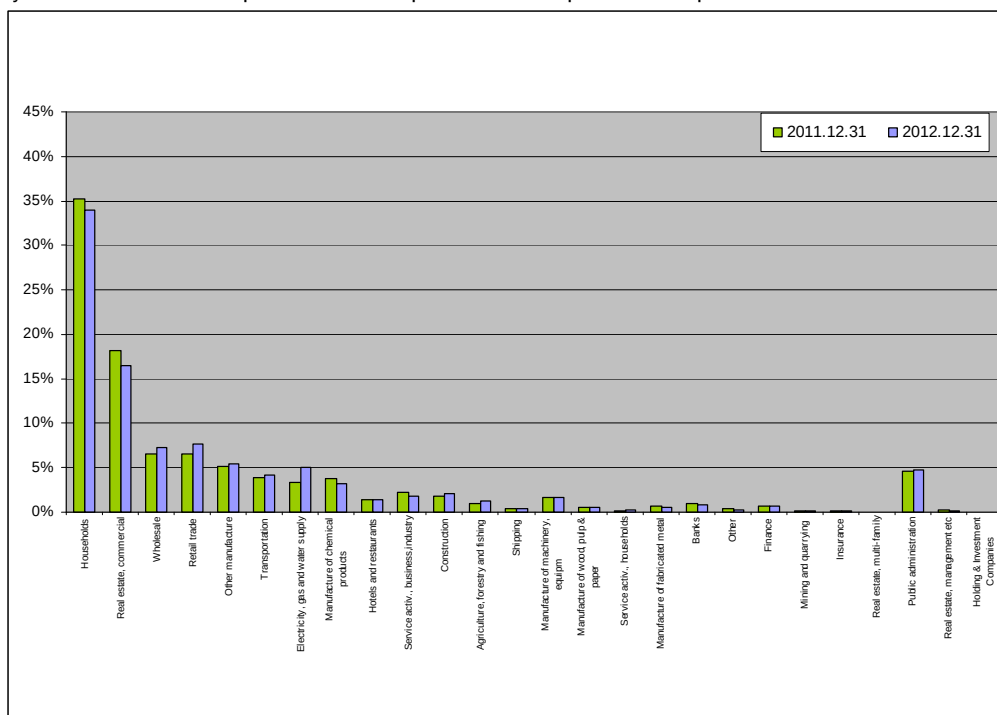
Provisions for portfolio corporate loans are formed for loans, in case of which no individual impairment has been found, however, a probability exists that impairment will occur, but no such fact has been found yet. Loans with similar risk characteristics are classified taking into account the main factors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

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

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

Credit Risk Limits and Monitoring

The Group and the Bank structures the levels of credit portfolio risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. The credit risk exposure to a single borrower or borrowers' groups and the industries are monitored on a regular basis. Credit concentration exposure limits are established by Assets and liability management committee (ALCO) and regularly monitored by risk control function. As of 31 December 2012, credit exposures are in compliance with limits set by ALCO. The table below represents the development of credit exposures within particular industries.



**NOTES TO THE FINANCIAL STATEMENTS
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**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**
Financial Risk Management Policy (continued)
Maximum Exposure to Credit Risk Before Collateral Held or Other Credit Enhancements

The below table represents a worse case scenario of credit risk exposure to the Group and the Bank as of 31 December 2012 and 2011, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out below are based on net carrying amounts as reported in the balance sheet.

The Group			The Bank	
2012	2011		2012	2011
1,002,933	3,438,209	Balances with the Central Bank	1,002,933	3,438,209
2,666,929	2,718,507	Due from banks	2,666,929	2,718,507
60,900	52,911	Government securities available for sale	60,234	51,921
608,544	28,376	Financial assets at fair value through profit and loss	608,544	28,376
355,201	193,054	Derivative financial instruments	355,201	193,054
6,802	12,706	Loans to credit and financial institutions	737,926	439,302
		Loans to customers		
2,722,186	3,122,070	Property management	2,722,186	3,122,070
5,670,119	4,980,950	Other corporate	5,696,077	5,010,261
443,240	455,600	Public	443,240	455,600
5,976,689	6,148,727	Mortgage loans	5,976,689	6,148,727
830,728	941,774	Other private individuals	830,728	941,774
		Finance lease receivable		
1,435,693	1,585,463	Corporate	-	-
53,607	72,101	Private individuals	-	-
13,459	15,922	Other	-	-
		Investment securities:		
386,010	1,588,260	- loans and receivables	386,010	1,588,260
13,812	14,148	- held to maturity	13,812	14,148
83,844	119,889	Other financial assets	82,703	118,601
		Credit risk exposures relating to off-balance sheet items		
3,311,622	2,840,055		3,429,779	2,918,903
25,642,318	28,328,722	Total as of 31 December	25,012,991	27,187,713

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 receivables 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, credit spreads, foreign exchange and equity prices, including price risk in connection with the sale of assets or closing of positions.

According to the type of financial risk, market risk is classified into trading risk (Trading Book risk) and structural risk of a mismatch between assets and liabilities (Banking Book risk), which has an impact on the positions of the group's interest rate sensitive assets and liabilities as well as off-balance sheet items and is defined as the risk of a loss of the group's net interest income and a decrease in the market value of liabilities.

The overall market risk exposure (trading and non-trading) is measured using Value-at-Risk (VaR) model based on historical simulation method that express the maximum potential loss that can arise at a chosen level of probability during a certain period of time. Trading risk is measured on daily basis using 99 percent probability level and 10 days time horizon. VaR exposure for non-trading positions is calculated on a daily basis using 1 day's assessment evaluation period and 99 percent probability level. Historical data are based on 250 days for estimation of volatility and correlation. Additionally the Bank uses the sensitivity measures applied for risk assessment of specific market risk type/portfolio/position: delta 1 p.p. is applied for interest rate sensitive portfolios/positions, delta/gama/vega measures – for options, etc. Value at Risk assessment results on the total portfolio positions are shown in Note 41.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

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

Financial Risk Management Policy (continued)

Currency Risk

Foreign Exchange Risk exposure is defined by two measures: single open currency position against LTL and aggregated general open currency - the bigger one of summarized long and short open currency positions. The foreign exchange risk measure contains the net exposure of spot and forward positions, FX futures including gold, the delta equivalent position of FX options plus other balance sheet items. The currency risk control is ensured by monitoring the risk exposure against the limits established for single open currency position.

The net positions of assets and liabilities denominated in foreign currencies as of 31 December 2012 and 2011 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 2012 and 2011 is presented in Note 41.

Credit risk margin risk is defined as a risk that the value of debt securities will decrease as a result of a change in the issuer's credit risk. This type of risk is calculated using the VaR (Value-at-Risk) model. Risk is managed by setting limits for investments in debt securities.

The credit risk margin risk management as of 31 December 2012 and 2011 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.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**
Financial Risk Management Policy (continued)
Liquidity Risk (continued)

The Group's undiscounted non-derivative financial liability analysis as of 31 December 2012:

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	1,722,360	332,154	456,154	2,967,255	1,977,135	7,455,058
Deposits from public	10,385,042	837,249	1,080,363	82,897	17,641	12,403,191
Debt securities in issue and subordinated loans	74,752	22,818	33,082	70,312	558,370	759,333
Other financial liabilities	77,463	15,914	4,739	7,399	3,487	109,002
Total undiscounted non- derivative financial liabilities	12,259,617	1,208,135	1,574,337	3,127,863	2,556,632	20,726,584
Off balance sheet commitments related to lending	2,996,452	147,364	89,703	29,310	16,112	3,278,941
Rental off balance sheet commitments	7,741	7,513	13,729	64,528	43,405	136,916
Commitments related to leasing	31,898	703	-	-	-	32,601

Rental off balance sheet commitments for the period 1 – 5 years are LTL 81,751 thousand; for the period over 5 years LTL 26,182 thousand.

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

Maturity	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Amounts owed to credit and financial institutions	1,412,087	846,738	1,666,900	5,611,275	1,104,408	10,641,409
Deposits from public	9,727,539	1,066,383	1,239,171	121,964	22,325	12,177,382
Debt securities in issue and subordinated loans	9,462	17,228	27,826	176,344	916,253	1,147,113
Other financial liabilities	856,151	18,394	3,577	5,362	8,181	891,665
Total undiscounted non- derivative financial liabilities	12,005,239	1,948,743	2,937,473	5,914,945	2,051,168	24,857,569
Off balance sheet commitments related to lending	2,440,543	92,390	106,870	160,854	14,532	2,815,189
Rental off balance sheet commitments	8,580	8,488	16,692	70,123	58,395	162,278
Commitments related to leasing	18,374	5,482	1,010	-	-	24,866

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**
Financial Risk Management Policy (continued)
Liquidity Risk (continued)

The Bank's undiscounted non-derivative financial liability analysis as of 31 December 2012:

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	1,526,192	124,804	456,154	2,967,255	1,977,135	7,051,539
Deposits from public	10,385,180	837,249	1,080,363	82,897	17,641	12,403,329
Debt securities in issue and subordinated loans	74,752	22,818	33,082	70,312	558,370	759,333
Other financial liabilities	78,694	12,617	2,719	2,716	2,246	98,992
Total undiscounted non- derivative financial liabilities	12,064,817	997,488	1,572,317	3,123,180	2,555,391	20,313,194
Off balance sheet commitments related to lending	3,147,210	147,364	89,703	29,310	16,112	3,429,699
Rental off balance sheet commitments	7,659	7,431	13,565	64,174	43,405	136,234

Rental off balance sheet commitments for the period 1 – 5 years are LTL 81,397 thousand; for the period over 5 years LTL 26,182 thousand.

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

Maturity	Up to 3 month	3–6 months	6–12 months	1–3 years	Over 3 years	Total
Amounts owed to credit and financial institutions	1,495,963	840,181	1,031,988	5,172,673	1,104,408	9,645,213
Deposits from public	9,733,534	1,066,383	1,239,171	121,964	22,325	12,183,376
Debt securities in issue and subordinated loans	9,462	17,228	27,826	176,344	916,253	1,147,113
Other financial liabilities	856,403	15,718	1,386	634	6,563	880,704
Total undiscounted non- derivative financial liabilities	12,095,362	1,939,510	2,300,370	5,471,614	2,049,550	23,856,406
Off balance sheet commitments related to lending	2,544,256	92,390	106,870	160,854	14,533	2,918,903
Rental off balance sheet commitments	8,468	8,376	16,469	69,191	58,395	160,899

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**
Financial Risk Management Policy (continued)
Liquidity Risk (continued)

Undiscounted derivative instruments analysis for the Group and the Bank as of 31 December 2012:

Maturity	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
IRS	175,685	14,416	170,582	617,715	846,239	1,824,637
FX forwards	26,422	6,837	2,172	-	-	35,431
FX swaps	813,405	401	342	41,434	-	855,581
Equity options	1,152	2,124	11	1,485	724	5,496
Interest rate options	510	32	531	-	35	1,108
Currency options	1,303	245	-	-	-	1,548
Total outflows	1,018,477	24,055	173,637	660,634	846,998	2,723,801
Inflows:						
IRS	162,761	14,227	173,180	609,931	847,253	1,807,353
FX forwards	24,924	5,379	1,863	-	-	32,166
FX swaps	812,221	410	374	41,764	-	854,768
Equity options	1,152	2,124	11	1,485	724	5,496
Interest rate options	510	32	531	-	35	1,108
Currency options	1,303	245	-	-	-	1,548
Total inflows	1,002,871	22,417	175,959	653,180	848,012	2,702,439

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

Maturity	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Outflows:						
IRS	186,389	67,804	198,954	723,327	1,165,486	2,341,960
FX forwards	16,301	1,502	3,370	451	-	21,624
FX swaps	577,223	257,008	7,039	515	-	841,785
Equity options	73	1,360	1,116	4,060	608	7,217
Interest rate options	632	2,008	2,925	1,166	211	6,942
Currency options	-	1	78	-	-	79
Total outflows	780,618	329,683	213,482	729,519	1,166,305	3,219,607
Inflows:						
IRS	177,051	29,719	204,140	712,908	1,167,608	2,291,426
FX forwards	16,413	1,468	3,471	445	-	21,797
FX swaps	572,266	255,068	6,581	532	-	834,447
Equity options	73	1,360	1,116	4,060	608	7,217
Interest rate options	632	2,008	2,925	1,166	211	6,942
Currency options	-	1	78	-	-	79
Total inflows	766,435	289,624	218,311	719,111	1,168,427	3,161,908

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

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

Capital Adequacy

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

General Regulations for the Internal Capital Adequacy Assessment Process (ICAAP) came into effect as from 1 January 2007. In accordance to these regulations, banks' should identify all risks, not only the ones assessed in capital adequacy calculation, to select risk assessment models, estimate it, choose tools for risks management, and to set a goal for limits. Accordingly, the Bank set a goal to achieve ICAAP result and continuously have had capital adequacy higher than 12 per cent during 2012.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES
(CONTINUED)**
Financial Risk Management Policy (continued)
Capital Adequacy (continued)

The Bank's and the Financial Group's capital adequacy ratios during 2012 were as follows:

	31 March 2012	30 June 2012	30 September 2012	31 December 2012
The Bank	13.45%	12.95%	13.65%	13.37%
The Financial Group	14.39%	14.01%	14.51%	15.17%

For further information see Note 39.

Maximum exposure per single borrower and Large exposure requirements

Maximum exposure per single borrower - the amount of loans per single borrower may not exceed 25 per cent of the Bank's equity. The amount of loans issued to the parent company, to other parent companies of such parent company or to its own subsidiary companies per single borrower may not exceed 75 per cent of the Bank's equity, if the Bank of Lithuania performs consolidated supervision of the entire financial group. If the Bank of Lithuania does not perform any consolidated supervision of the entire financial group, the maximum exposure per each SEB Group company may not exceed 20 per cent of the Bank's equity.

Large exposure requirement - the total amount of large loans issued by the bank may not exceed 800 per cent of the bank's total equity."

The Bank met these requirements at the end of the reporting period as well as during reporting period

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).

Since 2008 Bank has got the permission from regulators to use AMA (Advanced Measurement Approach) model for operational risk assessment and operational risk regulatory capital calculation.

The Bank has developed several operational risk management tools: Operational risk policy, ORSA (Operational Risk Self Assessment) and RTSA (Rogue Trading Self Assessment) processes, requirements for Business Contingency management, New or amended product/process approval process and etc.

The Bank has launched and continuously uses SEB Group-wide operational risk management system ORMIS, NAMIS & LDRPS. In the Operational Risk Management Information System (ORMIS) all employees can register operational risk events and managers in all levels can assess, monitor and manage risks as well as produce various reports. Other two systems are used for development of new products and/or services (NAMIS) and business contingency planning (LDRPS).

In order to achieve the most comprehensive operational risk assessment ORSA and RTSA methodologies are applied as well as different internal control processes performed on regular basis. Operational risk committee is established in the Bank in order to ensure proper operational risk management and adequate cooperation between risk management and risk control functions.

The Bank's management board is provided with quarterly operational risk reports covering an overview of new operational risk cases found, efficiency of the operational risk management instruments used as well as other identified risks.

Stress Testing

Stress tests and scenario analysis are widely used to identify high-risk areas and relationships including concentration risks, its risk drivers and to evaluate the combined effect of shocks in the market. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Control include the risk factor stress testing, where stress movements are applied to each risk category: market, credit, liquidity and operational risk. The ultimate goal of the analysis is to estimate net effect of the stress scenarios to the capital of the Bank and the Group and prepare the action plan ensuring that the business operations shall be secured in case the worst case scenario occurs. The comprehensive scenario based stress testing covering all appropriate risk types is conducted at least annually and reported to the Asset Liability Management Committee (ALCO). Due to the fact that global credit crisis continued during the year 2012 the stress testing exercises were performed more frequently. The stress testing of the Group is part of Internal Capital Assessment Process (ICAAP).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

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

Financial Risk Management Policy (continued)

Internal Control

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

Recent Volatility in Economic Situation

Economic performance remains weak in the euro zone. The euro zone as a whole is now technically in recession.

Business environment will remain turbulent in the nearest future due to uncertain macroeconomic situation, more strict requirements to the banking sector and unfavourable banking image in general.

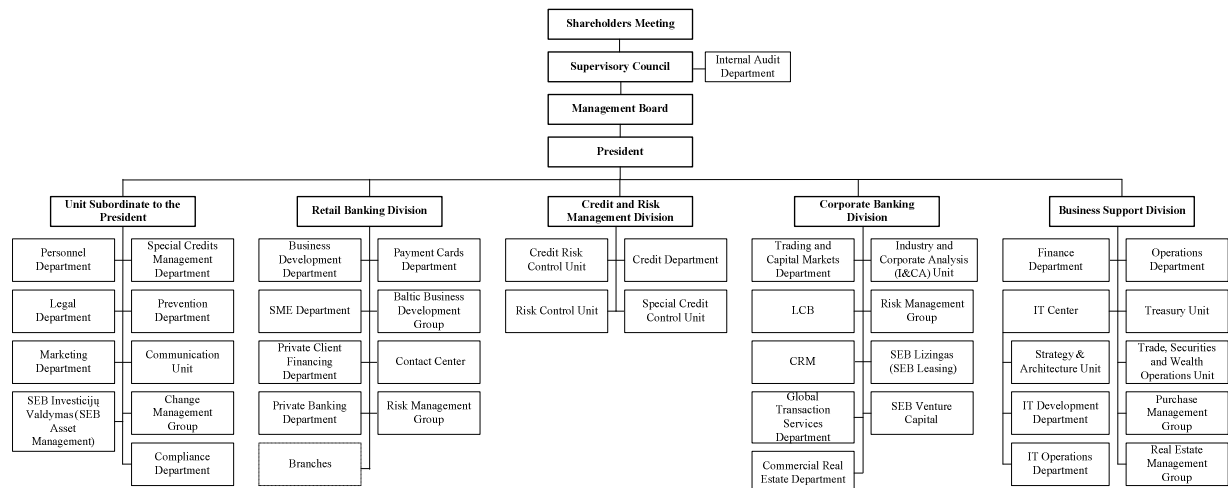
From an international perspective, Lithuania is in rather favourable economic situation. The macroeconomic imbalances that had loomed before the crisis were eliminated by the efforts of the government or by natural economic forces. In its current shape Lithuanian economy stands ready to weather the difficulties which would equal or even exceed the challenges of 2008-2009.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's and the Bank's business in the current circumstances.

NOTE 4 GROUP'S STRUCTURE AND OPERATIONS

At the end of the year 2012 AB SEB bankas Group in Lithuania consisted of AB SEB bankas and three subsidiary companies: UAB "SEB investicijų valdymas", AB "SEB lizingas" and UAB "SEB Venture Capital".

Organization structure of AB SEB bankas Group as of 31 December 2012 was as follows:



For more information see note 25.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

NOTE 5 SEGMENT INFORMATION

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

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

Eliminations from total segments' assets and liabilities amounting to LTL 3,193,352 thousand relate to elimination of intra-segment financing amounts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AB SEB bankas
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

NOTE 5 SEGMENT INFORMATION (CONTINUED)

Business segments of the Group for the year ended 31 December 2012 were as follows:

	Baltic Division	Merchant Banking	Asset Management	Treasury	Operations	Staff Functions	Information Technologies	Eliminations	Total Group
Interest income	654,025	1,024	104	360,944	-	-	-	(388,758)	627,339
- Internal	95,152	1	71	293,534	-	-	-	(388,758)	-
- External	558,873	1,023	33	67,410	-	-	-	-	627,339
Interest expense	(369,706)	(1,063)	(3)	(376,551)	-	-	-	388,758	(358,565)
- Internal	(293,606)	(1,063)	(3)	(94,086)	-	-	-	388,758	-
- External	(76,100)	-	-	(282,465)	-	-	-	-	(358,565)
Net commission income	170,181	276	12,064	(1,214)	-	-	-	-	181,307
- Internal	8,963	-	(7,837)	(1,126)	-	-	-	-	-
- External	161,218	276	19,901	(88)	-	-	-	-	181,307
Net financial income/(expense)	82,750	(121)	(3)	(174)	-	-	-	-	82,452
Net other income/(expense)	(1,604)	-	1	1,438	(60)	(16)	-	-	(241)
Net operating income/ (expenses)	535,646	116	12,163	(15,557)	(60)	(16)	-	-	532,292
Total staff costs and other administrative expenses	(307,997)	(908)	(3,448)	(485)	928	2,613	3,760	-	(305,537)
Depreciation/amortisation/write off	(87,053)	(53)	(56)	(2)	(758)	(878)	(3,433)	-	(92,233)
Capital gain/(losses)	(214)	-	-	-	(21)	41	-	-	(194)
Total impairment losses	(25,239)	-	-	-	-	-	-	-	(25,239)
Profit (loss) before income tax	115,143	(845)	8,659	(16,044)	89	1,760	327	-	109,089
Income tax (expenses)	(20,542)	(921)	(1,308)	-	-	-	-	-	(22,771)
Net profit (loss) for the year	94,601	(1,766)	7,351	(16,044)	89	1,760	327	-	86,318
Total Assets	18,578,762	54,979	22,959	7,692,018	89	1,760	327	(3,193,352)	23,157,542
Total Liabilities	16,143,020	56,745	14,618	7,712,160	-	-	-	(3,193,352)	20,733,191
<i>Acquisition of intangible assets and property, plant and equipment</i>	6,793	-	-	-	-	-	-	-	6,793

AB SEB bankas**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

NOTE 5 SEGMENT INFORMATION (CONTINUED)

For the year ended, 31 December 2012 reconciliation between Group's Segment reporting and financial statements is presented below:

	Eliminations			
	Segment Reporting	Interest income from Hedged L&R	Other reconciling entries	Financial Statements
Interest income	627,339	-	(1,888)	625,451
Interest expense	(358,565)	22,162	601	(335,802)
Net commission income	181,307	-	3,341	184,648
Net financial income	82,452	(22,162)	(1,752)	58,538
Net other income	(241)	-	8,018	7,777
Net operating income	532,292	-	8,320	540,612
Total staff costs and other administrative expenses	(305,537)	-	(7,723)	(313,260)
Depreciation/amortisation/write off	(92,233)	-	(597)	(92,830)
Capital losses	(194)	-	-	(194)
Total impairment losses	(25,239)	-	-	(25,239)
Profit before income tax	109,089	-	-	109,089
Income tax (expenses)	(22,771)	-	-	(22,771)
Net profit for the year	86,318	-	-	86,318

AB SEB bankas
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

NOTE 5 SEGMENT INFORMATION (CONTINUED)

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

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

AB SEB bankas**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

NOTE 5 SEGMENT INFORMATION (CONTINUED)

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

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

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

NOTE 6 NET INTEREST INCOME

The Group			The Bank	
2012	2011		2012	2011
625,451	751,997	Interest income:	572,113	680,314
1,700	2,788	on balances with Central Banks	1,700	2,788
23,077	14,998	on loans and advances to credit institutions	28,171	20,092
498,883	577,744	on loans and advances to customers	497,860	573,915
33,047	78,908	on government securities - loans and receivables	33,047	78,908
57,376	72,922	on finance leasing portfolio	-	-
2,332	3,279	on debt securities available for sale	2,299	3,253
9,036	1,358	on debt securities, designated at fair value	9,036	1,358
(335,802)	(398,850)	Interest expenses:	(318,361)	(364,335)
(193,797)	(249,947)	on amounts owed to credit and financial institutions	(176,356)	(215,432)
(54,422)	(42,446)	on deposits from the public	(54,422)	(42,446)
(28,501)	(32,883)	on debt securities	(28,501)	(32,883)
(3,786)	(31,545)	on subordinated loans	(3,786)	(31,545)
(55,296)	(42,029)	deposits insurance expenses	(55,296)	(42,029)
289,649	353,147	Total net interest income	253,752	315,979

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

The Group			The Bank	
2012	2011		2012	2011
31	9	Reversal of impairment losses on loans to credit and financial institutions charge for the year, net	31	9
(55,582)	124,038	Impairment (losses)/reversals of impairment losses on loans to customers, net	(55,582)	124,038
520	45	Recovered written off loans	520	45
(55,031)	124,092	Impairment (losses)/reversals of impairment losses on loans, net	(55,031)	124,092

Changes in impairment losses during the year 2012 and 2011 were as follows:

The Group			The Bank	
2012	2011		2012	2011
1,209,186	1,465,427	Impairment losses on loans as of 1 January (note 22)	1,207,686	1,463,927
55,582	(124,038)	Impairment charged (credited) to income statement by customer category, net:	55,582	(124,038)
14,832	(64,254)	Other corporate	14,832	(64,254)
21,515	(76,075)	Property management	21,515	(76,075)
21,888	21,025	Mortgage	21,888	21,025
(2,653)	(4,734)	Other private individuals	(2,653)	(4,734)
-	-	Loans recovered to balance sheet	-	-
-	-	Other corporate	-	-
-	-	Property management	-	-
(241,927)	(132,223)	Loans written off:	(240,427)	(132,223)
(83,297)	(71,299)	Other corporate	(81,797)	(71,299)
(158,192)	(60,419)	Property management	(158,192)	(60,419)
(438)	(505)	Private individuals	(438)	(505)
(277)	20	Effect of change in exchange rate	(277)	20
1,022,564	1,209,186	Impairment losses on loans as of 31 December	1,022,564	1,207,686

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

As of 31 December 2012 the Bank had LTL 1,773,081 thousand of individually impaired loans, gross of impairment losses (2011: LTL 2,178,180 thousand). As of 31 December 2012 accrued interest on these loans amounted to LTL 1,032 thousand (2011: LTL 614 thousand). However there were no such loans to credit and financial institutions at the end of 2012 (2011: LTL 285 thousand (no accrued interest)). Deferred administration fee amounted to LTL 415 thousand for individually impaired loans to customers (2011: LTL 463 thousand).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in LTL thousand unless otherwise stated)

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

Interest income on these loans for the year ended 31 December 2012 amounted to LTL 26,338 thousand (2011: LTL 34,774 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	
2012	2011		2012	2011
133,865	170,216	Impairment losses on finance lease portfolio	-	-
35	35	Impairment losses on other assets	35	35
133,900	170,251	Impairment losses on finance lease portfolio and other assets as of 31 December	35	35

Changes in impairment losses for finance lease portfolio and other assets related to lease portfolio for the year ended 31 December 2012 and 2011 were as follows:

The Group			The Bank	
2012	2011		2012	2011
		Impairment reversal on finance lease portfolio credited to income statement	-	-
(28,389)	(182,060)	Investment property impairment loss (reversal)	-	-
1,443	(2,495)	Impairment losses on foreclosed assets	-	-
264	2,022	Result from sales of foreclosed assets according to terminated lease portfolio agreements	-	-
(730)	(19,097)		-	-
(27,412)	(201,630)	Impairment reversal on finance lease portfolio and other assets related to lease portfolio, net	-	-

The Group			The Bank	
2012	2011		2012	2011
170,216	383,526	Impairment losses on finance lease portfolio as of 1 January (note 23)	-	-
(28,389)	(182,060)	Impairment reversal credited to income statement, net:	-	-
(28,305)	(181,765)	Corporate	-	-
(84)	(295)	Private individuals	-	-
(7,962)	(31,250)	Finance leasing receivable written off	-	-
(7,883)	(31,247)	Corporate	-	-
(79)	(3)	Private individuals	-	-
133,865	170,216	Impairment losses on finance lease portfolio as of 31 December	-	-

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

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

NOTE 8 NET FEE AND COMMISSION INCOME

The Group			The Bank	
2012	2011		2012	2011
74,798	68,019	For money transfer operations	74,798	68,019
98,220	90,176	For payment cards services	98,220	90,176
9,306	8,838	For operations with securities	9,306	8,838
69,130	61,980	Other income on services and commissions	57,615	51,194
251,454	229,013	Income on services and commissions	239,939	218,227
(2,108)	(1,988)	For money transfer operations	(2,108)	(1,904)
(49,116)	(44,791)	For payment cards services	(49,116)	(44,791)
(2,599)	(2,613)	For operations with securities	(2,599)	(2,613)
(12,983)	(12,556)	Other expenses on services and commissions	(12,440)	(12,123)
(66,806)	(61,948)	Expenses on services and commissions	(66,263)	(61,431)

NOTE 9 DIVIDEND INCOME FROM SUBSIDIARIES

The table below presents dividends received by the Bank from it's subsidiaries:

	2012	2011
UAB SEB Investicijų Valdymas	8,344	6,064
Total dividend income	8,344	6,064

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

The Group			The Bank	
2012	2011		2012	2011
12,783	4,483	Realised result from operations with debt securities in trading portfolio	12,783	4,483
1,632	93	Unrealised result from operations with debt securities in trading portfolio	1,632	93
3,840	2,319	Result of available for sale portfolio designated for fair value hedge	3,840	2,319
(11,656)	(40,558)	Government securities - loans and receivables, designated for fair value hedge	(11,656)	(40,558)
1,844	-	Result of Government securities designated at fair value through profit (loss)	1,844	-
(121)	-	Result of other financial assets designated at fair value through profit (loss)	-	-
(13,147)	(13,520)	Result of interest rate swap designated as hedging instrument	(13,147)	(13,520)
(6,496)	(11,591)	Result of other derivatives	(6,496)	(11,591)
4,169	20,103	Result from other trading securities	4,169	20,103
(7,152)	(38,671)	Net losses on financial assets and derivative instruments accounted for at fair value	(7,031)	(38,671)

NOTE 11 NET FOREIGN EXCHANGE GAIN

The Group			The Bank	
2012	2011		2012	2011
54,048	40,423	Gain from foreign exchange trading	54,053	40,372
13,785	14,315	Unrealised translation gain	13,797	14,406
67,833	54,738	Net gain on foreign exchange	67,850	54,778

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

NOTE 12 STAFF COSTS

The Group			The Bank	
2012	2011		2012	2011
106,007	104,933	Salaries and wages	101,765	100,533
35,713	35,268	Social security expenses (defined contribution plan cost)	34,313	33,882
141,720	140,201	Total staff costs	136,078	134,415

The following numbers of full-time personnel were employed by the Group's companies as of 31 December 2012 and 2011:

	2012	2011
AB SEB Bankas	1,766	1,968
UAB SEB Lizingas	42	40
UAB SEB Investicijų Valdymas	13	13
UAB SEB Venture Capital	2	2
Total employees	1,823	2,023

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

NOTE 13 OTHER ADMINISTRATIVE EXPENSES

The Group			The Bank	
2012	2011		2012	2011
41,010	42,888	Rent and maintenance of premises	40,125	41,936
12,316	17,098	Depreciation property, plant and equipment	12,055	16,812
775	1,100	Depreciation of investment property	61	64
22,614	21,185	Audit and consulting expenses	22,410	20,954
32,139	35,113	Office equipment maintenance	31,602	34,419
10,085	10,808	Communication expenses	9,760	10,515
9,365	20,550	Payments for servicing organizations	8,414	19,446
6,609	7,439	Transport expenses	6,333	7,091
6,398	7,336	Advertising and promotion expenses	6,221	7,190
20,573	21,273	Amortisation of intangible assets	20,528	21,126
3,810	1,383	Other than income taxes	3,093	1,078
596	898	Depreciation of assets under operating lease	-	-
1,090	1,576	Employees training expenses	1,055	1,542
2,168	2,102	Insurance of banking operations	2,168	2,102
359	300	Charity and sponsorship	359	300
58,539	-	Intangible assets write off	58,539	-
36,117	12,428	Other expenses	33,955	9,972
264,563	203,477	Total other administrative expenses	256,678	194,547

More information related the line 'Intangible assets write off' is provided in the Note 26, Intangible fixed assets.

The line 'Other expenses' includes provision for the fine amounting to LTL 24,808 thousand that Competition Council imposed on the Bank (for more information pls. see Note 46, Legal proceedings)

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 14 INCOME TAX EXPENSE

The Group			The Bank	
2012	2011		2012	2011
1,317	-	Current year tax charge	-	-
(149)	99	Previous years related tax charge	-	99
21,603	60,040	Change in deferred tax asset and liability balance	13,380	35,409
22,771	60,139	Total income tax charge	13,380	35,508

Previous years related tax charge accounted for in 2012 LTL (149) thousand for the the Group (2011: LTL 99 thousand for the Group and the Bank) represents adjustment updating profit tax payable figure estimated at year end.

The tax on the Group's and 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	
2012	2011		2012	2011
109,089	529,790	Profit before tax	139,667	415,270
16,363	79,469	Tax calculated at a tax rate of 15%	20,950	62,291
(22,621)	(83,017)	Income not subject for tax	(28,200)	(65,777)
29,178	63,588	Expenses not deductible for tax purposes	20,630	38,895
(149)	99	Correction of previous period income tax	-	99
22,771	60,139	Total income tax charge	13,380	35,508

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

Deferred tax

The Group			The Bank	
2012	2011		2012	2011
213,596	273,661	Assets at 1 January	157,440	192,654
(21,603)	(60,040)	Income statement charge	(13,380)	(35,409)
	(220)	Deferred tax related to disposed subsidiary	-	-
(995)	195	Other comprehensive income	(995)	195
190,998	213,596	Asset (liability) at 31 December	143,064	157,440

As of 31 December 2012 and 2011 deferred income tax was calculated using 15 percent income tax rate.

The Group			The Bank	
2012	2011		2012	2011
Deferred tax assets				
723	1,718	Revaluation of available for sales securities through equity	723	1,718
-	156	Revaluation of securities	-	71
17,017	24,392	Amortisation and depreciation	7,648	13,965
7,881	3,258	Accrued expense	7,713	2,939
21,319	27,390	Impairment losses	6,690	7,800
152,416	167,829	Tax loss carried forward	128,648	142,094
199,356	224,743	Deferred tax assets, net	151,422	168,587
Deferred tax liability				
4,124	5,795	Revaluation of available for sale securities through income statement	4,124	5,795
563	-	Revaluation of trade securities	563	-
3,671	5,352	Revaluation of derivatives	3,671	5,352
8,358	11,147	Deferred tax liability, net	8,358	11,147

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(All amounts in LTL thousand unless otherwise stated)

NOTE 14 INCOME TAX EXPENSE (CONTINUED)

As of 31 December 2012 the deferred tax asset related to tax losses recognised by the Bank is LTL 128,648 thousand of which LTL 2,404 thousand related to taxable losses from transactions with securities and derivatives. Deferred tax assets accounted for in the Group's financial statements in the amount of LTL 23,768 thousand is related to tax losses of subsidiary AB "SEB lizingas". Tax losses could be offset with taxable profits for unlimited time.

In the Management opinion the Group will utilize LTL 32 million and the Bank - LTL 29 million of deferred tax asset within 12 month period from the date of these financial statements, respectively LTL 159 million and LTL 114 million after more than 12 months from the date of these financial statements

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

The Group			The Bank	
2012	2011		2012	2011
		Unused tax losses		
1,016,111	1,118,856	Tax loss carried forward, unlimited use	857,656	947,291
1,016,111	1,118,856	Total unused tax losses	857,656	947,291

As of 31 December 2012 and 2011 income tax effect relating to components of other comprehensive income was as follows:

The Group			The Bank	
2012	2011		2012	2011
		Fair value gains (losses) on available for sale		
5,184	(4,157)	investment securities before tax amount	5,184	(4,157)
(995)	195	Tax (expenses) benefit	(995)	195
		Fair value gains on available for sale		
4,189	(3,962)	investment securities, net of tax amount	4,189	(3,962)

NOTE 15 EARNINGS PER SHARE

	The Group	
	2012	2011
Net profit from continuing operations attributable to the shareholders	86,318	469,651
Weighted average number of shares (000s)	15,441	15,441
Basic and diluted earnings per share (LTL)	5.59	30.42

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 BANK

The Group			The Bank	
2012	2011		2012	2011
514,015	489,624	Obligatory reserves	514,015	489,624
64,749	763,990	Target deposits	64,749	763,990
424,169	2,184,595	Balance available for withdrawal	424,169	2,184,595
1,002,933	3,438,209	Total balances with the Central Bank	1,002,933	3,438,209

Three quarters of obligatory reserves and the rest of balance, available for withdrawal, are non-interest bearing according to Central Bank of Lithuania regulations. Obligatory reserves comprise 4 percent (4 percent in 2011) of balance of public deposits with tenors not longer than 2 years calculated using data from the last day of the previous month.

The line 'Target deposits' represents Bank's balance of funds that have been transferred by state enterprise Indėlių ir Investicijų Draudimas ('Deposit and Investment Insurance Fund') for payment of insurance compensations to Bank Snoras depositors (private individuals and companies within Vilnius County) when operation of Bank Snoras was suspended.

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NOTE 17 DUE FROM BANKS

The Group			The Bank	
2012	2011		2012	2011
2,208,678	547,089	Current accounts	2,208,678	547,089
42,550	29,812	Overnight deposits	42,550	29,812
415,701	2,141,606	Term deposits	415,701	2,141,606
2,666,929	2,718,507	Total	2,666,929	2,718,507

Amounts due from Banks at 31 December 2012 have been due from counterparties with the rating not less than BBB based on rating agency Standard & Poor's ratings except for LTL 75 mln. that are due from the counterparties which are not rated.

NOTE 18 GOVERNMENT SECURITIES AVAILABLE FOR SALE

The Group			The Bank	
164,895	As of 1 January 2011		164,272	
45,427	Additions		44,763	
(159,199)	Disposals		(158,876)	
3,279	Interest income		3,253	
2,319	Result of available for sale portfolio designated for fair value hedge		2,319	
(3,810)	Change in revaluation reserve in equity		(3,810)	
52,911	As of 1 January 2012		51,921	
54,114	Additions		54,114	
(57,063)	Disposals		(56,706)	
2,332	Interest income		2,299	
3,840	Result of available for sale portfolio designated for fair value hedge		3,840	
4,766	Change in revaluation reserve in equity		4,766	
60,900	As of 31 December 2012		60,234	

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

NOTE 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group			The Bank	
2012	2011		2012	2011
1,260	919	Financial assets held for trading - equity instruments	1,260	919
143,050	27,457	Financial assets held for trading - securities of Government of Republic of Lithuania	143,050	27,457
507,293	41,505	Financial assets designated at fair value (at initial recognition)	464,234	-
651,603	69,881	Total financial assets designated at fair value	608,544	28,376

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

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

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

The Group		The Bank
29,325	As of 1 January 2011	-
12,473	Additions	-
-	Disposals	-
(293)	Revaluation	-
41,505	As of 1 January 2012	-
462,429	Additions	460,754
-	Disposals	-
3,359	Revaluation	3,480
507,293	As of 31 December 2012	464,234

The revaluation result on designated at fair value financial assets is accounted in income statement under net gain (loss) on operations with debt securities and derivative financial instruments.

The table below presents an analysis of Bank's trading debt securities and financial assets designated at fair value (at initial recognition) by rating agency designation at 31 December 2012 and 2011, based on Standard & Poor's ratings or their equivalent:

Securities of Government of Republic of Lithuania		
	2012	2011
BBB	607,284	27,457
Total	607,284	27,457

NOTE 20 DERIVATIVE FINANCIAL INSTRUMENTS

The Bank utilises the following derivative instruments for both hedging and non-hedging purposes. Hedging relationship is properly documented. The hedging practices and accounting treatment is described in note 3 (I).

Receivable for interest rate and currency interest rate swaps amounting to LTL 186,939 thousand are due from the counterparties with internal risk classes that fall under the range from 7 till 14. Receivable for currency interest rate swaps amounting to LTL 158,192 thousand are due from the Parent company with internal risk class 2.

31 December 2012	Notional amount		Fair value	
	Purchase	Sale	Assets	Liabilities
Foreign exchange derivatives				
Currency forwards	126,386	130,338	757	3,929
Currency swaps	854,768	854,768	498	1,405
Put options	3,122	3,122	35	35
Interest rate derivatives				
Futures	5,179	-	-	2
Interest rate swaps	3,855,786	3,855,786	186,939	188,683
Interest rate swaps for hedging purposes	403,978	403,978	-	42,093
Currency interest rate swaps	4,063,339	4,063,339	158,192	132,970
Interest rate options	332,657	332,657	1,984	1,984
Equity derivatives				
Index linked debt securities option	157,966	157,966	5,790	5,786
Derivative part of index linked deposit	-	-	53	-
Other derivatives				
Commodity options	27,919	27,919	953	949
Total derivatives assets/liabilities	9,831,100	9,829,873	355,201	377,836

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NOTE 20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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	
2012	2011		2012	2011
560	393	Lithuania	731,684	426,989
2,726	1,440	Russia	2,726	1,440
1,617	2,625	Sweden	1,617	2,625
1,105	1,439	Belarus	1,105	1,439
406	2,977	UAE	406	2,977
256	-	France	256	-
119	2	Germany	119	2
13	4	USA	13	4
-	1,694	Portugal	-	1,694
-	992	Azerbaijan	-	992
-	849	Great Britain	-	849
-	318	Czech Republic	-	318
-	2	Luxemburg	-	2
-	2	Canada	-	2
-	-	Croatia	-	-
-	-	Denmark	-	-
-	-	South Africa	-	-
6,802	12,737	Total loans to credit and financial institutions	737,926	439,333
-	(31)	(31) Less impairment losses on loans	-	(31)
6,802	12,706	Loans to credit and financial institutions, net	737,926	439,302

Vast majority of loans to credit and financial institutions are not secured by any collateral. As of 31 December 2012 there were no individually impaired loans to credit and financial institutions. As of 31 December 2011 individually impaired loans amounted to LTL 284 thousand gross of impairment losses (no accrued interest).

As of 31 December 2012 LTL 3 thousands of loans to credit and financial institutions were past due 8-30 days. As of 31 December 2011 LTL 2,625 thousand were past due till 7 days, LT 2 thousands 8-30 days.

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(All amounts in LTL thousand unless otherwise stated)

NOTE 21 LOANS TO CREDIT AND FINANCIAL INSTITUTIONS (CONTINUED)

The table below presents an analysis of loans to credit and financial institutions by rating agency designation at 31 December 2012 and 31 December 2011, based on Standard & Poor's ratings or their equivalent:

	2012	2011
AAA	-	154
AA-	-	696
A+	1,736	2,628
A	259	319
A-	-	1,269
BBB+	1,093	1,707
BBB	1	-
BB	1,632	4,125
B-	1,105	1,340
CCC+	-	99
Not available	976	369
	6,802	12,706

NOTE 22 LOANS TO CUSTOMERS

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

As of 31 December 2012 and 2011 the Bank's loans to customers against collateral type were as follows:

	Public	Property management	Other corporate	Mortgage loans	Other private individuals	Total
31 December 2012						
Loans secured by mortgage, real property	-	1,885,238	1,257,046	5,430,724	590,104	9,163,112
Loans secured by deposits and securities	205	85,113	93,591	11,148	19,366	209,423
Loans secured by guarantees of government and banks	-	2,347	73,115	80	-	75,542
Accounts receivable and debtors	6,391	739,820	1,199,978	4,230	1,718	1,952,137
Inventories and equipment	354	5,955	685,146	6	9	691,470
Other collateral	193	421,434	1,024,356	709,850	39,853	2,195,686
Unsecured loans	436,097	52,647	1,580,484	62,278	272,608	2,404,114
Total loans to customers	443,240	3,192,554	5,913,716	6,218,316	923,658	16,691,484
31 December 2011						
Loans secured by mortgage, real property	-	1,670,065	1,139,153	5,526,938	643,617	8,979,773
Loans secured by deposits and securities	-	116,135	88,641	13,029	39,937	257,742
Loans secured by guarantees of government and banks	-	2,628	77,811	91	-	80,530
Accounts receivable and debtors	8,329	1,324,880	1,379,014	3,967	4,267	2,720,457
Inventories and equipment	412	4,939	560,384	7	9	565,751
Other collateral	-	511,949	799,489	767,024	38,374	2,116,836
Unsecured loans	446,859	98,686	1,250,450	57,807	311,227	2,165,029
Total loans to customers	455,600	3,729,282	5,294,942	6,368,863	1,037,431	16,886,118

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 2012 loans with floating interest rate exceeded 72.12 percent of the Bank's total loan portfolio (2011: 70.79 percent). As of 31 December 2012 included in the above amounts of loans secured by deposits and securities is reversed repo transactions equal to LTL 6,157 thousand (of which LTL 49 thousand is accrued interest) with securities in amount of LTL 10,236 thousand (2011: LTL 14,965 thousand and LTL 23,825 thousand respectively), which includes: equity (LTL 5,136 thousand), funds (LTL 747 thousand), bonds (LTL 1,970 thousand) and equity linked debt securities (LTL 2,383 thousand).

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(All amounts in LTL thousand unless otherwise stated)

NOTE 22 LOANS TO CUSTOMERS (CONTINUED)

As of 31 December 2012 and 2011 the Bank's loans to customers by customer category were as follows:

	2012	2011
Neither past due nor impaired:		
Property management	1,703,193	1,904,633
Other corporate	5,231,638	4,469,140
Public	440,894	438,330
Mortgage loans	5,537,161	5,635,993
Other private individuals	704,829	788,023
Total neither past due nor impaired	13,617,715	13,236,119
Past due but not impaired:		
Property management	223,641	262,759
Other corporate	217,318	254,553
Public	2,346	17,270
Mortgage loans	665,060	716,444
Other private individuals	191,706	220,641
Total past due but not impaired	1,300,071	1,471,667
Impaired individually assessed loans:		
Property management	1,265,720	1,561,890
Other corporate	464,760	571,249
Public	-	-
Mortgage loans	16,095	16,426
Other private individuals	27,123	28,767
Total impaired individually assessed loans	1,773,698	2,178,332
Total loans by customer category:		
Property management	3,192,554	3,729,282
Other corporate	5,913,716	5,294,942
Public	443,240	455,600
Mortgage loans	6,218,316	6,368,863
Other private individuals	923,658	1,037,431
Total loans by customer category	16,691,484	16,886,118
Less impairment losses on loans:		
Property management	(470,368)	(607,212)
Other corporate	(217,639)	(284,681)
Public	-	-
Mortgage loans	(241,627)	(220,136)
Other private individuals	(92,930)	(95,657)
Total impairment losses on loans	(1,022,564)	(1,207,686)
Loans to customers, net	15,668,920	15,678,432

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NOTE 22 LOANS TO CUSTOMERS (CONTINUED)

The table below presents analysis of impaired individually assessed loans as of 31 December 2012 and 2011:

	2012	2011
Impaired individually assessed loans:		
Property management	1,265,720	1,561,890
Other corporate	464,760	571,249
Public	-	-
Mortgage loans	16,095	16,426
Other private individuals	27,123	28,767
Total impaired individually assessed loans	1,773,698	2,178,332
Less impairment losses on individually assessed loans:		
Property management	(444,963)	(576,547)
Other corporate	(188,361)	(249,932)
Public	-	-
Mortgage loans	(12,177)	(11,645)
Other private individuals	(11,309)	(10,824)
Total impairment losses on individually assessed loans	(656,810)	(848,948)

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 2012						
3 – 7 risk classes	2,729	31,196	643,281	-	-	677,206
8 risk class	152,341	148,042	874,914	-	-	1,175,297
9 risk class	148,439	198,162	1,352,118	-	-	1,698,719
10 risk class	26,089	501,924	1,154,481	-	-	1,682,494
11 risk class	590	252,875	456,450	-	-	709,915
12 risk class	110,706	339,856	193,126	-	-	643,688
13 – 16 risk class	-	227,025	395,171	-	-	622,196
Homogeneous credits groups	-	4,113	162,097	5,537,161	704,829	6,408,200
Total neither past due nor impaired	440,894	1,703,193	5,231,638	5,537,161	704,829	13,617,715
31 December 2011						
3 – 7 risk classes	6,586	32,014	414,928	-	-	453,528
8 risk class	236,218	260,692	665,424	-	-	1,162,334
9 risk class	186,232	139,788	1,144,277	-	-	1,470,297
10 risk class	2,711	302,658	1,112,910	-	-	1,418,279
11 risk class	6,583	427,422	395,255	-	-	829,260
12 risk class	-	471,544	165,715	-	-	637,259
13 – 16 risk class	-	265,468	401,133	-	-	666,601
Homogeneous credits groups	-	5,047	169,498	5,635,993	788,023	6,598,561
Total neither past due nor impaired	438,330	1,904,633	4,469,140	5,635,993	788,023	13,236,119

The table below presents assessment of Homogeneous credits groups by internal rating categories:

	2012	2011
A	4,852,071	5,175,967
B	522,964	482,149
C	226,937	212,749
D	520,726	472,407
E	281,776	248,813
Not rated	3,726	6,476
	6,408,200	6,598,561

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NOTE 22 LOANS TO CUSTOMERS (CONTINUED)

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 2012 amounted to LTL 11,642 thousand (2011: LTL 10,694 thousand). Loans granted by venture capital subsidiary are classified as neither past due nor impaired loans granted to other corporate and these are not secured.

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.

As of 31 December 2012 and 2011 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 2012						
Loans past due but not impaired:						
past due up to 7 days	854	23,923	65,840	98,309	14,163	203,089
past due 8-30 days	1,492	29,921	51,579	119,734	18,683	221,409
past due 31 - 60 days	-	35,006	40,175	65,033	8,608	148,822
past due over 60 days	-	134,791	59,724	381,984	150,252	726,751
Total past due but not impaired	2,346	223,641	217,318	665,060	191,706	1,300,071
Fair value of collateral pledged	-	218,464	117,364	578,304	108,408	1,022,540
31 December 2011						
Loans past due but not impaired:						
past due up to 7 days	13,308	49,627	75,870	114,891	18,382	272,078
past due 8-30 days	3,962	3,402	74,319	125,384	25,358	232,425
past due 31-60 days	-	25,500	8,553	76,423	13,656	124,132
past due over 60 days	-	184,230	95,811	399,746	163,245	843,032
Total past due but not impaired	17,270	262,759	254,553	716,444	220,641	1,471,667
Fair value of collateral pledged	-	261,565	127,725	642,229	127,814	1,159,333

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 as at 31 December 2012 were past due up to 7 days and instalments were paid during January 2013, amount LTL 173,170 thousand (2011: LTL 219,328 thousand), of which: public sector – the whole amount for year 2012, property management – the whole amount for year 2012 (2011: LTL 44,818 thousand), other corporate – LTL 57,314 thousand (2011: LTL 55,549 thousand), mortgage loans – LTL 79,174 thousand (2011: LTL 92,623 thousand), other private individuals – LTL 11,905 thousand (2011: LTL 13,030 thousand).

As of 31 December 2012 and 2011 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 2012						
Impaired individually assessed loans	-	1,265,720	464,760	16,095	27,123	1,773,698
Fair value of collateral pledged	-	765,875	225,692	3,917	12,745	1,008,229
31 December 2011						
Impaired individually assessed loans	-	1,561,890	571,249	16,426	28,767	2,178,332
Fair value of collateral pledged	-	917,653	280,559	4,773	14,727	1,217,712

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.

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NOTE 23 FINANCE LEASE RECEIVABLE

The Group			The Bank	
2012	2011		2012	2011
		Gross finance lease receivable		
528,339	675,996	-Falling due within one year	-	-
969,659	982,417	-Falling due from one to five years	-	-
236,471	357,093	-Falling due after five years	-	-
1,734,469	2,015,506	Total gross finance lease receivable	-	-
		Unearned finance income		
(35,267)	(56,422)	-Falling due within one year	-	-
(53,055)	(90,478)	-Falling due from one to five years	-	-
(9,523)	(24,904)	-Falling due after five years	-	-
(97,845)	(171,804)	Total unearned finance income	-	-
(133,865)	(170,216)	Less impairment losses on finance lease receivable	-	-
1,502,759	1,673,486	Total finance lease receivable, net	-	-

As of 31 December 2012 unguaranteed residual values amounted to LTL 119 thousand (2011: LTL 479 thousand).

As of 31 December 2012 finance lease contracts with floating interest rate reached 88.49 percent of leasing portfolio (2011: 89.22 percent).

As of 31 December 2012 and 2011 finance lease receivable by customer category were as follows:

The Group			The Bank	
2012	2011		2012	2011
		Neither past due nor impaired:		
1,152,210	1,302,022	Corporate	-	-
49,354	66,048	Private individuals	-	-
13,448	15,836	Other	-	-
1,215,012	1,383,906	Total neither past due nor impaired	-	-
		Past due but not impaired:		
136,465	85,524	Corporate	-	-
4,767	6,735	Private individuals	-	-
11	86	Other	-	-
141,243	92,345	Total past due but not impaired	-	-
		Impaired finance lease receivable:		
277,864	364,951	Corporate	-	-
2,505	2,500	Private individuals	-	-
-	-	Other	-	-
280,369	367,451	Total impaired finance lease receivable	-	-
		Total finance lease receivable by customer category:		
1,566,539	1,752,497	Corporate	-	-
56,626	75,283	Private individuals	-	-
13,459	15,922	Other	-	-
1,636,624	1,843,702	Total finance lease receivable by customer category	-	-
		Less impairment losses on finance lease receivable:		
(130,846)	(167,034)	Corporate	-	-
(3,019)	(3,182)	Private individuals	-	-
-	-	Other	-	-
(133,865)	(170,216)	Total impairment losses on finance lease receivable by customer	-	-
1,502,759	1,673,486	Finance lease receivable, net	-	-

**NOTES TO THE FINANCIAL STATEMENTS
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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 2012				
4 – 7 risk classes	10,772	-	10,670	21,442
8 risk class	54,904	-	1,164	56,068
9 risk class	224,646	-	-	224,646
10 risk class	416,249	-	575	416,824
11 risk class	193,646	-	609	194,255
12 risk class	71,196	-	200	71,396
13-16 risk class	67,382	-	213	67,595
Homogeneous credits groups	113,415	49,354	17	162,786
Total neither past due nor impaired	1,152,210	49,354	13,448	1,215,012
31 December 2011				
4 – 7 risk classes	5,089	-	12,340	17,429
8 risk class	59,215	-	652	59,867
9 risk class	167,720	-	-	167,720
10 risk class	423,837	530	757	425,124
11 risk class	224,885	685	860	226,430
12 risk class	141,201	526	657	142,384
13-16 risk class	133,277	996	44	134,317
Homogeneous credits groups	146,798	63,311	526	210,635
Total neither past due nor impaired	1,302,022	66,048	15,836	1,383,906

As of 31 December 2012 and 2011 finance lease receivable past due but not impaired and fair value of collateral were as follows:

	Corporate	Private	Other	Total
31 December 2012				
Loans past due but not impaired:				
past due up to 30 days	72,694	3,067	11	75,772
past due 31 - 60 days	47,959	885	-	48,844
past due over 60 days	15,812	815	-	16,627
Total past due but not impaired	136,465	4,767	11	141,243
Fair value of collateral pledged	87,447	5,693	-	93,140
31 December 2011				
Loans past due but not impaired:				
past due up to 30 days	36,624	3,281	86	39,991
past due 31 - 60 days	15,318	855	-	16,173
past due over 60 days	33,582	2,599	-	36,181
Total past due but not impaired	85,524	6,735	86	92,345
Fair value of collateral pledged	102,674	8,085	103	110,862

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NOTE 23 FINANCE LEASE RECEIVABLE (CONTINUED)

Impaired finance leases receivable amounts and fair value of collateral as of 31 December 2012 and 2011:

	Corporate	Private	Other	Total
31 December 2012				
Impaired loans	277,864	2,505	-	280,369
Fair value of collateral pledged	249,870	3,030	16	252,916
31 December 2011				
Impaired loans	364,951	2,500	-	367,451
Fair value of collateral pledged	231,977	-	-	231,977

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 2012				
Trucks and other vehicles	458,724	30	202	458,956
Real estate	514,859	5,055	188	520,102
Cars and mini-vans	250,185	51,437	13,069	314,691
Manufacturing equipment	237,680	-	-	237,680
Shop equipment	2,666	-	-	2,666
Construction equipment	40,001	1	-	40,002
Agricultural equipment	16,644	36	-	16,680
Office equipment	4,390	-	-	4,390
Medical equipment	1,535	67	-	1,602
Railway wagons and containers	37,476	-	-	37,476
Water transport means	99	-	-	99
Other assets	2,280	-	-	2,280
Total finance lease receivable by type of collateral	1,566,539	56,626	13,459	1,636,624
31 December 2011				
Trucks and other vehicles	511,356	93	297	511,746
Real estate	599,770	6,516	263	606,549
Cars and mini-vans	241,404	68,399	15,323	325,126
Manufacturing equipment	286,646	17	-	286,663
Shop equipment	4,008	-	-	4,008
Construction equipment	43,688	1	-	43,689
Agricultural equipment	12,101	160	-	12,261
Office equipment	4,077	-	-	4,077
Medical equipment	3,502	97	30	3,629
Railway wagons and containers	42,480	-	-	42,480
Water transport means	90	-	-	90
Other assets	3,375	-	9	3,384
Total finance lease receivable by type of collateral	1,752,497	75,283	15,922	1,843,702

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NOTE 24 INVESTMENT SECURITIESLoans and Receivables 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 2012 amounted to LTL 386,010 thousand, fair value is disclosed in table in *Accounting policies* part *Fair values*.

As of 31 December 2012 and for the year ended 31 December 2012 if the Group and the Bank had not reclassified financial assets to loans and receivables, revaluation reserve (deficit) of financial assets in equity would have been lower by LTL 5,6 million (2011: LTL 30 million), and result from revaluation of securities in income statement would have been lower by LTL 2,5 million (2011: LTL 0,5 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	
2012	2011	2012	2011
Securities available for sale:			
200	200	200	200
-	176	-	176
200	376	200	376
Total investment securities available for sale			

The above securities are not rated.

The changes in investment securities for the year 2012 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
1,276	13,832	1,629,290	1,276	13,832	1,629,290
14	316	-	14	316	-
3	-	-	3	-	-
-	-	-	-	-	-
-	-	500	-	-	500
-	-	(41,530)	-	-	(41,530)
(526)	-	-	(526)	-	-
(390)	-	-	(390)	-	-
376	14,148	1,588,260	376	14,148	1,588,260
(17)	(336)	-	(17)	(336)	-
-	-	-	-	-	-
(425)	-	(1,221,029)	(425)	-	(1,221,029)
-	-	35,098	-	-	35,098
(153)	-	(16,319)	(153)	-	(16,319)
419	-	-	419	-	-
-	-	-	-	-	-
200	13,812	386,010	200	13,812	386,010

All loans and receivables presented in the table above are subject to fair value hedge as described in note 3(l). Recognised result in income statement amounting to LTL 16,319 thousand (2011: LTL 41,530 thousand) relates to fair value hedge impact accounted through income statement.

The tables below present an analysis of credit quality of Bank's investment securities accounted as Held-to-maturity and loans and receivables based on Standard & Poor's ratings or their equivalent.

Ratings at 31 December 2012

	Held to maturity	Loans and receivables
A	13,812	
BBB		386,010
	13,812	386,010

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NOTE 24 INVESTMENT SECURITIES (CONTINUED)

Ratings at 31 December 2011

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

NOTE 25 INVESTMENTS IN SUBSIDIARIES

The Group			The Bank	
2012	2011		2012	2011
		Securities accounted for under cost method:		
-	-	UAB SEB Venture Capital	25,000	25,000
-	-	UAB SEB Investicijų Valdymas	9,900	9,900
-	-	AB SEB Lizingas	273,000	190,000
-	-	Total investments in subsidiaries	307,900	224,900

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

Continued losses of AB "SEB lizingas" triggered impairment tests of cost of investment into this subsidiary. As of 31 December 2009, net assets of this subsidiary were negative and cost of investment was reduced to zero value.

Impairment tests carried for this subsidiary for the following years indicated that previously recognized impairment loss should be partly reversed.

Impairment test for the year 2012 indicated that recoverable amount is LTL 273,000 thousand. Recoverable amount was estimated using value in use method. Discount rate applied: 11,3% (for further consideration pls. see Note 3 (ee) Critical accounting estimates and judgements in applying accounting policies). Thus, in 2012, previously recognized impairment loss has been additionally reversed for the amount LTL 83,000 thousand.

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NOTE 25 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Changes of investment in AB "SEB lizingas" are presented below:

	Investment in AB SEB Lizingas
As of 31 December 2008:	
Total cost of investment	10,000
Capitalised loans to cover losses in 2009	165,105
Impairment loss in 2009	(175,105)
As of 31 December 2009:	
Total cost of investment, before impairment	175,105
Total impairment	(175,105)
Total cost of investment, after impairment	-
Capitalised loans to cover losses in 2010	533,529
Impairment loss in 2010	(450,529)
As of 31 December 2010:	
Total cost of investment, before impairment	708,634
Total impairment	(625,634)
Total cost of investment, after impairment	83,000
Impairment loss reversal in 2011	107,000
As of 31 December 2011:	
Total cost of investment, before impairment	708,634
Total impairment	(518,634)
Total cost of investment, after impairment	190,000
Impairment loss reversal in 2012	83,000
As of 31 December 2012:	
Total cost of investment, before impairment	708,634
Total impairment	(435,634)
Total cost of investment, after impairment	273,000

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

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

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(All amounts in LTL thousand unless otherwise stated)

NOTE 26 INTANGIBLE FIXED ASSETS

As of 31 December 2012 and 2011 intangible assets of the Group and the Bank consisted of the following:

The Group		The Bank	
Software and other intangible fixed assets		Software and other intangible fixed assets	
Cost			
273,680	31 December 2010	272,332	
12,262	Additions	12,054	
(6,897)	Write off/Disposals	(6,897)	
279,045	31 December 2011	277,489	
Accumulated amortisation and impairment			
124,947	31 December 2010	123,778	
21,273	Charge for the year	21,126	
(145)	Amorisation of write off/disposals	(145)	
146,075	31 December 2011	144,759	
Costs			
279,045	31 December 2011	277,489	
4,432	Additions	4,194	
(122,601)	Write off/Disposals	(122,444)	
160,876	31 December 2012	159,239	
Accumulated amortisation and impairment			
146,075	31 December 2011	144,759	
20,573	Charge for the year	20,528	
(64,032)	Amorisation of write off/disposals	(63,875)	
102,616	31 December 2012	101,412	
Net book value			
132,970	31 December 2011	132,730	
58,260	31 December 2012	57,827	

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

Annual inventorisation held at the end of 2012 indicated that part of core banking system is unused due to the optimisation/replacement of some of it's parts. Therefore decision has been taken to write off not used part of core banking system amounting to net book value of LTL 58,5 mln. After partial write off this system's net book value at 31 December 2012 was LTL 47,941 thousand (LTL 125,657 thousand at 31 December 2011). Amortisation period has not been revised.

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(All amounts in LTL thousand unless otherwise stated)

NOTE 27 PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2012 and 2011 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 2010	11,636	97,501	50,957	160,094
Additions	-	3,256	1,592	4,848
Disposals, write-offs and reclassifications	-	(3,812)	(842)	(4,654)
Transfer to disposable group				
calssified as held for sale	-	(54)	(254)	(308)
31 December 2011	11,636	96,891	51,453	159,980
Accumulated depreciation				
31 December 2010	6,355	69,529	38,206	114,090
Charge for the year	1,281	10,239	5,578	17,098
Depreciation of disposals, write-offs and reclassifications	-	(3,782)	(460)	(4,242)
Transfer to disposable group				
calssified as held for sale	-	(27)	(60)	(87)
31 December 2011	7,636	75,959	43,264	126,859
Cost				
Additions	-	2,002	359	2,361
Disposals, write-offs and reclassifications	(3,597)	(6,284)	(8,650)	(18,531)
Transfer to disposable group				
calssified as held for sale	-	-	-	-
31 December 2012	8,039	92,609	43,162	143,810
Accumulated depreciation				
Charge for the year	1,172	7,653	3,491	12,316
Depreciation of disposals, write-offs and reclassifications	(3,520)	(6,263)	(8,227)	(18,010)
Transfer to disposable group				
calssified as held for sale	-	-	-	-
31 December 2012	5,288	77,349	38,528	121,165
Net book value				
31 December 2011	4,000	20,932	8,189	33,121
31 December 2012	2,751	15,260	4,634	22,645

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(All amounts in LTL thousand unless otherwise stated)

NOTE 27 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As of 31 December 2012 and 2011 property, plant and equipment of the Bank consisted of the following:

	The Bank			Total property, plant and equipment
	Buildings and other real estate	Computer equipment	Office equipment and other PPE	
Cost				
31 December 2010	11,636	96,875	49,956	158,467
Additions	-	3,237	681	3,918
Disposals, write-offs and reclassifications	-	(3,653)	(279)	(3,932)
31 December 2011	11,636	96,459	50,358	158,453
Accumulated depreciation				
31 December 2010	6,355	69,104	37,719	113,178
Charge for the year	1,281	10,162	5,369	16,812
Depreciation of disposals, write-offs and reclassifications	-	(3,632)	(262)	(3,894)
31 December 2011	7,636	75,634	42,826	126,096
Cost				
Additions	-	1,982	347	2,329
Disposals, write-offs and reclassifications	(3,597)	(6,155)	(8,414)	(18,166)
31 December 2012	8,039	92,286	42,291	142,616
Accumulated depreciation				
Charge for the year	1,172	7,587	3,296	12,055
Depreciation of disposals, write-offs and reclassifications	(3,520)	(6,135)	(8,007)	(17,662)
31 December 2012	5,288	77,086	38,115	120,489
Net book value				
31 December 2011	4,000	20,825	7,532	32,357
31 December 2012	2,751	15,200	4,176	22,127

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

NOTE 28 ASSETS UNDER OPERATING LEASE

As of 31 December 2012 and 2011 assets leased under operating lease of the Group consisted of the following:

	The Group		
	Vehicles	Office equipment and other	Total assets under operating lease
Cost			
31 December 2011	2,338	197	2,535
Additions			-
Disposals	(1,868)	(1,194)	(3,062)
Transfer (to) leasing portfolio	-	1,390	1,390
31 December 2012	470	393	863
Accumulated depreciation			
31 December 2011	1,678	16	1,694
Charge for the year	339	257	596
Depreciation of disposals	(1,585)	(217)	(1,802)
Depreciation of transfers (to) leasing portfolio	-	-	-
31 December 2012	432	56	488
Net book value			
31 December 2011	660	181	841
31 December 2012	38	337	375

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

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(All amounts in LTL thousand unless otherwise stated)

NOTE 29 INVESTMENT PROPERTY

As of 31 December 2012 and 2011 investment property of the Group and the Bank consisted of the following:

The Group		The Bank	
Costs			
63,723	31 December 2011		1,599
2,256	Taken over/Additions		-
(40,593)	Disposals		(85)
25,386	31 December 2012		1,514
Accumulated depreciation and impairment			
1,231	31 December 2011		128
775	Depreciation for the year		61
(1,141)	Disposals		(7)
865	31 December 2012		182
Impairment loss			
21,790	31 December 2011		-
1,443	Reversal of impairment loss in the income statement		-
(14,071)	Reversal of impairment loss attributable to disposed assets		-
1,127	Impairment loss on assets taken over		-
10,289	31 December 2012		
Net book value			
40,702	31 December 2011		1,471
14,232	31 December 2012		1,332

The fair value of investment property was established in compliance with the procedures adopted within the SEB group. The valuation of real estate was carried out by AB SEB bankas authorised employees, based on discounted cash flow model created by Corporate Customers and Industry Analysis Department (ICA) and approved within SEB. The fair value of investment property does not differ materially from its book value as at 31 December 2012 and 31 December 2011.

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		The Bank	
2012	2011	2012	2011
Financial other assets			
1,164	171	-	-
76,377	111,640	76,377	111,640
407	737	407	737
4,862	5,464	5,111	5,005
226	658	-	-
808	1,219	808	1,219
83,844	119,889	82,703	118,601
Non financial other assets			
2,285	93	-	-
15,755	14,464	15,524	14,252
649	1,335	10	78
11,309	11,609	9,038	10,208
29,998	27,501	24,572	24,538
113,842	147,390	107,275	143,139

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(All amounts in LTL thousand unless otherwise stated)

NOTE 31 DUE TO CREDIT AND FINANCIAL INSTITUTIONS

The Group			The Bank	
2012	2011		2012	2011
2,500,908	3,879,536	Falling due within one year	2,099,239	3,335,064
4,692,236	6,256,145	Falling due after one year	4,692,236	5,841,809
7,193,144	10,135,681	Total amounts due to credit and financial institutions	6,791,475	9,176,873

NOTE 32 DEPOSITS FROM THE PUBLIC

The Group			The Bank	
2012	2011		2012	2011
8,575,501	7,922,423	Current and demand deposits	8,575,639	7,928,418
3,718,897	4,090,920	Term deposits falling due within one year	3,718,897	4,090,920
98,854	139,656	Term deposits falling due after one year	98,854	139,656
12,393,252	12,152,999	Total deposits from the public	12,393,390	12,158,994

The Group			The Bank	
2012	2011		2012	2011
4,887,045	4,643,460	Corporate customers' deposits and accounts	4,887,183	4,649,455
7,506,207	7,509,539	Individual customers' deposits and accounts	7,506,207	7,509,539
12,393,252	12,152,999	Total deposits from the public	12,393,390	12,158,994

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

NOTE 33 SUBORDINATED LOANS

The Group			Interest rate %	The Bank	
2012	2011			2012	2011
-	86,491	EUR 25 m subordinated loan due 2015	EURIBOR+2.3%	-	86,491
-	157,727	EUR 45 m subordinated loan due 2017	EURIBOR+0.75%	-	157,727
-	244,218	Total subordinated loans		-	244,218

The subordinated loans had been received from the parent bank and have been fully repaid during the year 2012.

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(All amounts in LTL thousand unless otherwise stated)

NOTE 34 DEBT SECURITIES IN ISSUE

The Group			Interest rate %			The Bank	
2012	2011		2012	2011		2012	2011
		Debt securities in issue:					
		Debt securities issued in 2008:					
-	1,026	index linked debt securities due 2012	-	-			1,026
		Debt securities issued in 2009:					
-	40,659	index linked debt securities due 2012	-	-			40,659
20,997	20,450	index linked debt securities due 2013	-	-		20,997	20,450
		Debt securities issued in 2010:					
-	8,947	index linked debt securities due 2012	-	-			8,947
80,614	78,527	index linked debt securities due 2013	-	-		80,614	78,527
20,753	20,340	index linked debt securities due 2014	-	-		20,753	20,340
347,170	347,737	undated subordinated notes	4.691	5.958		347,170	347,737
		Debt securities issued in 2011					
10,482	10,201	index linked debt securities due 2013	-	-		10,482	10,201
29,765	28,855	index linked debt securities due 2014	-	-		29,765	28,855
1,396	1,366	index linked debt securities due 2015	-	-		1,396	1,366
4,091	3,939	index linked debt securities due 2016	-	-		4,091	3,939
3,657	3,551	index linked debt securities due 2017	-	-		3,657	3,551
		Debt securities issued in 2012					
16,828	-	index linked debt securities due 2013	-	-		16,828	-
1,872	-	index linked debt securities due 2014	-	-		1,872	-
10,889	-	index linked debt securities due 2015	-	-		10,889	-
5,633	-	index linked debt securities due 2016	-	-		5,633	-
6,869	-	index linked debt securities due 2017	-	-		6,869	-
561,016	565,598	Total debt securities in issue				561,016	565,598

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

The Group			The Bank	
2012	2011		2012	2011
		Other financial liabilities		
9,398	11,836	Amounts outstanding for clearance	9,398	11,836
64,749	762,617	Deposit Insurance Fund amounts owed to Snoras depositors	64,749	762,617
4,544	5,077	Prepayments for finance lease	-	-
5,466	5,884	Accounts payable for assets purchased under finance lease	-	-
-	72,803	Amounts of executed bank transfers not yet settled against customers' accounts	-	72,803
6,154	8,529	Provisions for off balance sheet items	6,154	8,529
16,880	23,078	Factoring payables	16,880	23,078
1,811	1,841	Other financial liabilities	1,811	1,841
109,002	891,665	Total other financial liabilities	98,992	880,704
		Non financial liabilities		
2,424	2,993	Accrued taxes	1,192	2,290
19,005	19,416	Vacation reserve accrual	18,461	18,942
8,138	8,083	Prepayments for operating lease	-	-
6,840	15,015	Other liabilities	6,739	14,799
36,407	45,507	Total other non financial liabilities	26,392	36,031
145,409	937,172	Total other liabilities and provisions	125,384	916,735

After the collapse of Bank Snoras in the fourth quarter of 2011 the state enterprise Indėlių ir Investicijų Draudimas ('Deposit and Investment Insurance Fund') selected AB SEB bankas for payment of insurance compensations to the depositors (private individuals and Vilnius region enterprises) of Bank Snoras. Amount of LTL 64,749 thousand (2011: LTL 762,617 thousand) represent funds received from the state enterprise Indėlių ir Investicijų Draudimas but not yet distributed to the Bank Snoras depositors.

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

The Group			The Bank	
2012	2011		2012	2011
		Accrued financial liabilities		
59,730	35,005	Accrued expenses	57,699	32,648
		Deferred non financial liabilities		
1,451	1,011	Deferred income	1,451	1,011
61,181	36,016	Total accrued expenses and deferred income	59,150	33,659

NOTE 36 SHAREHOLDERS' EQUITY

As of 31 December 2012 the share capital of the Bank consisted of 15,441,423 ordinary shares with par value LTL 67 each (2011: LTL 67). All issued shares are fully paid. 100 percent of shares of the Bank is owned by company Skandinaviska Enskilda Banken AB (publ), registered in the Kingdom of Sweden.

Reserve capital, which as of 31 December 2012 amounted to LTL 2,200 thousand (2011: LTL 2,200 thousand) for the Bank and LTL 2,200 thousand (2011: LTL 2,200 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.

As of 31 December 2012 legal reserve was LTL 236,737 thousand (2011: LTL 191,184 thousand) for the Bank and LTL 239,612 thousand (2011: LTL 194,708 thousand) for the Group, in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses.

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NOTE 36 SHAREHOLDERS' EQUITY (CONTINUED)

Financial assets revaluation reserve (deficit) represents available for sale securities revaluation gain (loss). The financial assets reserve (deficit) movement in 2012 amount consists of the following:

	The Group	The Bank
Government securities – change in revaluation reserve (note 18)	4,766	4,766
Government securities - amortization of revaluation reserve to income statement	1,450	1,450
Equity securities – change in revaluation reserve (note 24)	419	419
Tax recognised in equity (note 14)	(995)	(995)
Net change in available for sale investments, net of deferred tax	5,639	5,639

As of 31 December 2012 general and other reserves represent general reserve for possible losses in amount of LTL 9,338 thousand (2011: LTL 9,338 thousand), that can only be offset with the current losses and share based compensation reserve in amount of LTL 4,794 thousand (2011: LTL 3,159 thousand), that will be paid in the share capital equivalent of Skandinaviska Enskilda Banken AB (publ) Class A shares to employees participating in the share based premium program.

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

The Group also offers specialised long-term share saving programmes for target employee groups, which are formed taking into account individual performance of the employees. The programmes are aimed at compensating its senior level managers and key employees and at encouraging employees to become shareholders, thus coordinating their and the shareholders' interests and perspectives.

The costs of Share Savings Programme incurred by the Group during the year 2012 were LTL 1,635 thousand (2011: LTL 1,651 thousand) accounted in other administrative expenses in the income statement. Related social security costs were LTL 505 thousand for the year 2012 and (2011: LTL 511 thousand) accounted in staff cost in the income statement.

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

As of 31 December 2012 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	
2012	2011		2012	2011
39,770	35,893	Customers funds	-	-
767,647	704,709	Financial instruments acquired at customer account	-	-
1,703,602	1,474,512	Accounts receivable from customer assets managed on trust basis	-	-
2,511,019	2,215,114	Total assets under management	-	-

All assets management services are performed by UAB “SEB investicijų valdymas”. For the year ended 31 December 2012 the management fee for funds management amounted to LTL 15,148 thousand (2011: LTL 13,894 thousand) and it is included in ‘Net fee and commission income’ line in the income statement.

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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 2012:

Maturity	Up to 3 months	months	6 – 12 months	years	3 years	Unclear maturity	Total
Assets							
Cash in hand	443,393	-	-	-	-	-	443,393
Balances with the Central Banks	1,002,933	-	-	-	-	-	1,002,933
sale, designated at fair value,	283,091	127,750	104,285	240,716	297,686	1,260	1,054,788
Derivative financial instruments	2,705	3,293	9,071	126,367	213,765	-	355,201
institutions and due from	2,666,596	1,140	23,657	277,435	436,027	-	3,404,855
Loans to customers, net	1,154,287	1,246,878	2,226,241	3,036,244	7,083,046	922,224	15,668,920
for sale	-	-	-	-	-	200	200
maturity	-	-	-	13,812	-	-	13,812
Investments in subsidiaries	-	-	-	-	-	307,900	307,900
Intangible fixed assets	-	-	-	-	-	57,827	57,827
Property, plant and equipment	-	-	-	-	-	22,127	22,127
Investment property	-	-	-	-	-	1,332	1,332
Other assets, net	437	2	15	7	14	249,864	250,339
Total assets	5,553,442	1,379,063	2,363,269	3,694,581	8,030,538	1,562,734	22,583,627
Liabilities and shareholders' equity							
Central Banks	37	-	-	-	-	-	37
and financial institutions	1,525,081	124,035	450,123	2,860,317	1,831,919	-	6,791,475
Derivative financial instruments	12,636	4,134	9,917	122,198	228,951	-	377,836
Deposits from the public	10,384,145	835,237	1,075,154	81,850	17,004	-	12,393,390
Debt securities in issue	74,388	22,470	32,064	64,674	20,250	347,170	561,016
Other liabilities and provisions	163,859	12,698	3,013	2,718	2,246	-	184,534
Equity	-	-	-	-	-	2,275,339	2,275,339
Total liabilities and shareholders' equity	12,160,146	998,574	1,570,271	3,131,757	2,100,370	2,622,509	22,583,627
Net assets (liabilities) before off balance sheet items	(6,606,704)	380,489	792,998	562,824	5,930,168	(1,059,775)	-
Off balance sheet items (net)	(2,591,344)	(147,373)	(88,926)	(39,010)	(8,607)	(7,505)	(2,882,765)
Net assets (liabilities)	(9,198,048)	233,116	704,072	523,814	5,921,561	(1,067,280)	(2,882,765)

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

Maturity	Up to 3 months	months	6 – 12 months	years	3 years	Unclear maturity	Total
Total assets	6,886,965	2,543,493	2,530,141	3,197,292	8,535,353	1,784,329	25,477,573
Total liabilities and shareholders' equity	12,165,657	1,966,879	2,269,169	5,193,148	1,393,205	2,489,515	25,477,573
Off balance sheet items (net)	(2,028,219)	(92,386)	(109,383)	(173,341)	(7,167)	(803)	(2,411,299)
Net assets (liabilities)	(7,306,911)	484,228	151,589	(2,169,197)	7,134,981	(705,989)	(2,411,299)

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

The Group's liquidity analysis as of 31 December 2012:

Maturity	Up to 3 months	months	6 – 12 months	years	3 years	Unclear maturity	Total
Assets							
Cash in hand	443,393	-	-	-	-	-	443,393
Balances with the Central Banks	1,002,933	-	-	-	-	-	1,002,933
sale, designated at fair value,	283,091	127,750	104,285	241,382	297,686	44,319	1,098,513
Derivative financial instruments	2,705	3,293	9,071	126,367	213,765	-	355,201
institutions and due from	2,653,566	1,140	18,888	137	-	-	2,673,731
Loans to customers, net	1,154,287	1,246,878	2,188,641	3,036,244	7,094,688	922,224	15,642,962
impairment losses	194,736	116,050	194,987	583,229	413,757	-	1,502,759
for sale	-	-	-	-	-	200	200
maturity	-	-	-	13,812	-	-	13,812
Intangible fixed assets	-	-	-	-	-	58,260	58,260
Property, plant and equipment	-	-	-	-	-	23,020	23,020
Investment property	-	-	-	-	-	14,232	14,232
Other assets, net	14,878	14,666	92	50	14	298,826	328,526
Total assets	5,749,589	1,509,777	2,515,964	4,001,221	8,019,910	1,361,081	23,157,542
Liabilities and shareholders' equity							
Central Banks	37	-	-	-	-	-	37
financial institutions	1,720,777	330,008	450,123	2,860,317	1,831,919	-	7,193,144
Derivative financial instruments	12,636	4,134	9,917	122,198	228,951	-	377,836
Deposits from the public	10,376,229	843,015	1,075,154	81,850	17,004	-	12,393,252
Debt securities in issue	74,388	22,470	32,064	64,674	20,250	347,170	561,016
Other liabilities and provisions	175,990	15,995	5,033	7,401	2,246	1,241	207,906
Equity	-	-	-	-	-	2,424,351	2,424,351
Total liabilities and shareholders' equity	12,360,057	1,215,622	1,572,291	3,136,440	2,100,370	2,772,762	23,157,542
Net assets (liabilities) before off balance sheet items	(6,610,468)	294,155	943,673	864,781	5,919,540	(1,411,681)	-
Off balance sheet items (net)	(2,473,565)	(148,076)	(88,926)	(39,010)	(8,607)	(7,505)	(2,765,689)
Net assets (liabilities)	(9,084,033)	146,079	854,747	825,771	5,910,933	(1,419,186)	(2,765,689)

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

Maturity	Up to 3 months	3 – 6 months	6 – 12 months	years	3 years	Unclear maturity	Total
Total assets	7,075,354	2,708,643	2,587,742	3,771,499	8,781,758	1,717,165	26,642,161
Total liabilities and shareholders' equity	12,087,655	1,976,111	2,892,864	5,612,212	1,393,205	2,680,114	26,642,161
Off balance sheet items (net)	(1,944,667)	(97,868)	(110,393)	(173,341)	(7,167)	(802)	(2,334,238)
Net assets (liabilities)	(6,956,968)	634,664	(415,515)	(2,014,054)	7,381,386	(963,751)	(2,334,238)

The Group		The Bank	
2012	2011	2012	2011

Liquidity ratio	35.86%	46.80%	35.21%	46.12%
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Liquidity ratio is calculated according to requirements of the Central Bank of Lithuania.

As of 31 December 2012 and 2011 and during these years the Group's and the Bank's liquidity ratio exceeded the statutory minimum required by the Bank of Lithuania (30 percent).

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

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

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

NOTE 39 CAPITAL ADEQUACY

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

- Tier 1 capital: share capital (net of any book values of the treasury shares), reserve capital, retained earnings;
- Tier 2 capital: qualifying subordinated loan capital, general and other reserves, qualifying current year profit;
- Deductible amounts: the book value of intangible assets; investments in credit and financial institutions above 10 percent of their equity; and IRB provision shortfall.

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

The table below summarises the components of capital adequacy calculation and the ratios of the Group and the Bank for the years ended 31 December 2012:

	The Group	The Bank
Tier 1 capital (less intangible assets)	2,280,242	2,086,431
Tier 2 capital	418,934	386,885
of which IRB provision excess	73,654	41,605
Less deductible investments	-	(243,520)
Less IRB provision shortfall	-	-
Risk weighted assets	17,795,925	16,678,463
of which risk weighted assets due to transitional capital requirements	-	-
Capital adequacy ratio before adjustment of capital requirements according to Basel II requirements as of 31 December 2012	15.17%	13.37%
Capital adequacy ratio according to Basel II requirements as of 31 December 2012	15.17%	13.37%

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

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

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NOTE 40 NET FOREIGN CURRENCY POSITION

The following table presents the equivalent amount in thousands of LTL of the net position of assets and liabilities denominated in currencies other than LTL as of 31 December 2012:

The Group			Currency	Rates	The Bank		
Position	Percentage of capital				Position	Percentage of capital	
3,602,905	133.48	EUR		3.4528	3,314,510	148.65	
(3,425)	0.13	U.S. Dollars (USD)		2.606	(3,699)	0.16	
4	-	Canadian Dollars (CAD)		2.6204	4	-	
451	0.02	Russian Rubles (RUB)		0.08588	451	0.02	
		Estonian Crone (EEK)					
845	0.03	The remaining long positions		N/A	161	-	
(2,529)	(0.09)	The remaining short positions		N/A	(3,016)	(0.14)	
5,954	0.22	Open long position		N/A	6,715	0.30	

As of 31 December 2011:

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

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 2012 and 2011 the Group complied with the foreign currency open position requirements set forth by the Bank of Lithuania.

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

NOTE 41 INTEREST RATE RISK MANAGEMENT

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

Interest rate sensitivity	2012	2011
Effect to net interest income (Δ NII)	65.9	57.4
Effect to the market value of shareholders equity (delta 1%)	53.1	24.5
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Bank)	2.1	2.4
Off balance sheet credit commitments sensitivity to interest rate changes (delta 1%) (the Group)	2	2.4

As a result of a change in the structure of deposits and a drop in time deposits portfolio that occurred over a year there was an increase in the Bank's income sensitivity to interest rates. Also, after recording of deposit portfolio interest rates, there was an increase in the sensitivity of the shareholders' equity to interest rate volatility.

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(All amounts in LTL thousand unless otherwise stated)

NOTE 41 INTEREST RATE RISK MANAGEMENT (CONTINUED)

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

The Group			The Bank		
2012	2011		2012	2011	
20,452	12,082	Interest rate risk (stand-alone)	19,784	12,043	
4,316	8,556	Credit spread risk (stand-alone)	4,316	8,556	
18	63	Foreign exchange risk (stand-alone)	18	63	
120	233	Equity price risk (stand-alone)	120	233	
(148)	(631)	Diversification effect	(148)	(631)	
24,758	20,304	Total	24,090	20,265	

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

In 2012, an increase in the market VaR as compared to the year 2011 was due to repricing of fixed-interest loans for the next 5-year period that took place in 2012. An increase in the period of fixed interest resulted in an increase in credit portfolio market risk.

The table below provides the Group's interest rate gap analysis as of 31 December 2012:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	12,828,730	484,116	2,334,506	15,647,352
Finance lease receivable, net	1,440,390	48,300	14,069	1,502,759
Debt securities	515,792	254,528	297,686	1,068,006
Interbank deposits and net loans	464,359	-	-	464,359
Other assets	-	-	-	-
Off balance sheet assets	8,629,093	-	31,846	8,660,939
Total interest rate sensitive assets	23,878,364	786,944	2,678,107	27,343,414
Liabilities				
Term deposits	3,782,082	81,286	16,041	3,879,409
Interbank deposits and loans	2,615,942	2,790,121	934,191	6,340,254
Other liabilities	465,363	62,298	19,675	547,336
Off balance sheet liabilities	8,623,914	-	31,846	8,655,760
Total interest rate sensitive liabilities	15,487,301	2,933,705	1,001,753	19,422,759
Gap	8,391,062	(2,146,761)	1,676,354	7,920,655
Assets, non sensitive to interest rate				4,475,067
Liabilities and equity, non sensitive to interest rate				12,390,543

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NOTE 41 INTEREST RATE RISK MANAGEMENT (CONTINUED)

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

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	12,606,451	371,988	2,678,491	15,656,930
Finance lease receivable, net	1,611,397	48,782	10,006	1,670,185
Debt securities	1,206,214	217,943	258,619	1,682,776
Interbank deposits and net loans	2,175,022	-	-	2,175,022
Other assets	-	-	-	-
Off balance sheet assets	10,015,454	305,176	27,301	10,347,931
Total interest rate sensitive assets	27,614,538	943,889	2,974,417	31,532,844
Liabilities				
Term deposits	4,164,660	117,862	20,552	4,303,074
Interbank deposits and loans	7,276,289	1,760,602	644,573	9,681,464
Other liabilities	390,665	151,111	8,758	550,534
Off balance sheet liabilities	10,008,894	305,176	27,301	10,341,371
Total interest rate sensitive liabilities	21,840,508	2,334,751	701,184	24,876,443
Gap	5,774,030	(1,390,862)	2,273,233	6,656,401
Assets, non sensitive to interest rate				5,457,248
Liabilities and equity, non sensitive to interest rate				12,107,089

The table below provides the Bank's interest rate gap analysis as of 31 December 2012:

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	13,597,452	484,116	2,324,306	16,405,874
Debt securities	515,126	254,528	297,686	1,067,340
Interbank deposits and net loans	464,359	-	-	464,359
Other assets	-	-	-	-
Off balance sheet assets	8,629,093	-	31,846	8,660,939
Total interest rate sensitive assets	23,206,030	738,644	2,653,838	26,598,512
Liabilities				
Term deposits	3,793,761	81,286	16,041	3,891,088
Interbank deposits and loans	2,201,606	2,790,121	934,191	5,925,918
Other liabilities	465,363	62,298	19,675	547,336
Off balance sheet liabilities	8,623,914	-	31,846	8,655,760
Total interest rate sensitive liabilities	15,084,644	2,933,705	1,001,753	19,020,102
Gap	8,121,386	(2,195,061)	1,652,085	7,578,410
Assets, non sensitive to interest rate				4,646,054
Liabilities and equity, non sensitive to interest rate				12,219,285

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NOTE 41 INTEREST RATE RISK MANAGEMENT (CONTINUED)

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

Maturity	Up to 1 year	1 - 3 year	Over 3 years	Total
Assets				
Net loans	13,073,027	371,988	2,668,291	16,113,306
Debt securities	1,205,890	217,609	258,287	1,681,786
Interbank deposits and net loans	2,175,022	-	-	2,175,022
Other assets				-
Off balance sheet assets	10,015,454	305,176	27,301	10,347,931
Total interest rate sensitive assets	26,469,393	894,773	2,953,879	30,318,045
Liabilities				
Term deposits	4,348,660	117,862	20,552	4,487,074
Interbank deposits and loans	6,344,033	1,553,434	644,573	8,542,040
Other liabilities	390,665	151,111	8,758	550,534
Off balance sheet liabilities	10,008,894	305,176	27,301	10,341,371
Total interest rate sensitive liabilities	21,092,252	2,127,583	701,184	23,921,019
Gap	5,377,141	(1,232,810)	2,252,695	6,397,026

Assets, non sensitive to interest rate 5,507,459

Liabilities and equity, non sensitive to interest rate 11,897,925

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(All amounts in LTL thousand unless otherwise stated)

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS

As of 31 December 2012 both the Group and the Bank were in compliance with the maximum lending to one customer, large exposure, related party lending, investment and open foreign currency position limits established by the Central Banks. During the year neither the Group nor the Bank received any sanctions from the Bank of Lithuania.

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

**Income Statement of the Group excluding UAB "SEB Venture Capital" entity
for the year ended 31 December 2012 and 2011**

	2012	2011
Interest income	625,491	751,914
Interest expenses	(335,808)	(398,857)
Net interest income	289,683	353,057
Impairment (losses)/reversals on loans	(55,031)	124,092
Impairment reversals on lease portfolio	27,412	201,630
Provisions for guarantees and other off balance sheet items	2,380	5,789
Total impairment (losses)/reversals	(25,239)	331,511
Net interest income after provisions	264,444	684,568
Net service charges and other income	190,865	173,133
Net gain on equity investments	(858)	1,415
Net loss on operations with debt securities and financial instruments	(7,031)	(38,671)
Net (loss) gain on disposal of subsidiaries	-	(1,166)
Net foreign exchange gain	67,833	54,741
Impairment loss on investment in available for sale securities	-	(390)
Staff costs	(141,044)	(139,497)
Other administrative expenses	(264,315)	(203,190)
Operating profit	109,894	530,943
Impairment loss on intangible assets	-	-
Profit before income tax	109,894	530,943
Income tax	(21,850)	(60,312)
Profit for the year from continuing operations	88,044	470,631
Profit for the year from discontinued operations	-	-
Net income	88,044	470,631
Attributable to:		
Owners of the Bank	88,044	470,631
Non controlling interest	-	-
	88,044	470,631

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

**Statement of Comprehensive Income for the Group excluding
UAB "SEB Venture Capital" entitys
for the year ended 31 December 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Net income for the year	88,044	470,631
Other comprehensive income:		
Net gain on available for sale assets	5,184	(4,157)
Amortisation of financial assets revaluation reserve of reclassified financial assets	1,450	3,075
Income tax relating to the components of other comprehensive income	(995)	195
Total other comprehensive income/ (loss)	5,639	(887)
Total comprehensive income	93,683	469,744
Attributable to:		
Owners of the Bank	93,683	469,744
Non controlling interest	-	-
	93,683	469,744

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

**Statement of Financial Position of the Group excluding UAB "SEB Venture Capital"
entity
as of 31 December 2012 and 2011**

	2012	2011
Assets		
Cash in hand	443,393	634,922
Balances with the Central Banks	1,002,933	3,438,209
Due from banks, net	2,666,929	2,718,507
Government securities available for sale	60,900	52,911
Financial assets at fair value through profit and loss	608,544	28,376
Derivative financial instruments	355,201	193,054
Loans to credit and financial institutions	6,802	12,706
Loans to customers	15,668,920	15,678,432
Finance lease receivable	1,502,861	1,673,632
Investment securities:		
- loans and receivables	386,010	1,588,260
- available for sale	200	376
- held to maturity	13,812	14,148
Investments in subsidiaries	25,000	25,000
Intangible fixed assets	58,260	132,970
Property, plant and equipment	22,537	32,960
Assets under operating lease	375	841
Non-current assets held for sale	23,686	27,960
Investment property	14,232	40,702
Deferred tax asset	190,986	212,663
Other assets, net	112,910	146,618
Total assets	23,164,491	26,653,247
Liabilities		
Amounts owed to the Central Banks	37	32
Amounts owed to credit and financial institutions	7,193,144	10,135,681
Derivative financial instruments	377,836	239,686
Deposits from the public	12,393,390	12,158,994
Accrued expenses and deferred income	61,086	35,907
Income tax payable	1,316	-
Subordinated loans	-	244,218
Debt securities in issue	561,016	565,598
Other liabilities and provisions	145,326	937,109
Total liabilities	20,733,151	24,317,225
Equity		
Equity attributable to equity holder of the parent		
Paid in capital	1,034,575	1,034,575
Reserve capital	2,200	2,200
Financial assets revaluation reserve	(4,098)	(9,737)
Legal reserves	238,727	193,822
General and other reserves	14,132	12,497
Net income for the period and retained earnings	1,145,804	1,102,665
	2,431,340	2,336,022
Non controlling interest	-	-
Total equity	2,431,340	2,336,022
Total liabilities and equity	23,164,491	26,653,247

AB SEB bankas
**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

**Statement of Changes in Equity of the Group excluding UAB "SEB Venture Capital" entity
for the year ended 31 December 2012 and 2011**

	Equity attributable to the owners of the Bank							Non controlling interest	Total
	Share capital	Reserve capital	Financial assets revaluation reserve (deficit)	Legal reserve	General and other reserves	Retained earnings	Total before non controlling interest		
31 December 2010	1,034,575	1,034	(8,850)	164,540	10,846	661,316	1,863,461	-	1,863,461
Net change in available for sale investments, net of deferred tax	-	-	(3,962)	-	-	-	(3,962)	-	(3,962)
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	3,075	-	-	-	3,075	-	3,075
Net loss for the period	-	-	-	-	-	470,631	470,631	-	470,631
<i>Net income (loss) recognized directly in equity</i>	-	-	(887)	-	-	470,631	469,744	-	469,744
Sales of UAB SEB Enskilda	-	1,166	-	-	-	-	1,166	-	1,166
Share-based compensation	-	-	-	-	1,651	-	1,651	-	1,651
Transfer to reserves	-	-	-	29,283	-	(29,283)	-	-	-
31 December 2011	1,034,575	2,200	(9,737)	193,822	12,497	1,102,665	2,336,022	-	2,336,022
Net change in available for sale investments, net of deferred tax	-	-	4,189	-	-	-	4,189	-	4,189
Amortisation of financial assets revaluation reserve of reclassified financial assets	-	-	1,450	-	-	-	1,450	-	1,450
Net income for the period	-	-	-	-	-	88,044	88,044	-	88,044
<i>Net income recognized directly in equity</i>	-	-	5,639	-	-	88,044	93,683	-	93,683
UAB SEB Enskilda legal reserve transfer	-	-	-	(711)	-	711	-	-	-
Share-based compensation	-	-	-	-	1,635	-	1,635	-	1,635
Transfer to reserves	-	-	-	45,615	-	(45,615)	-	-	-
31 December 2012	1,034,575	2,200	(4,098)	238,727	14,132	1,145,804	2,431,340	-	2,431,340

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NOTE 42 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

**Statement of Cash Flows of the Group excluding UAB "SEB Venture Capital"
entity
for the year ended 31 December 2012 and 2011**

	2012	2011
Cash from operating activities		
Interest income received	594,956	734,432
Interest expenses paid	(354,307)	(414,519)
Net foreign currency exchange gain	54,047	40,423
Unrealised translation gain	-	14,315
Net gain in securities trading and financial instruments	(6,665)	4,638
Net (loss) gain in derivatives trading	(14,111)	(43,507)
Net commission and service income	190,446	174,596
Staff costs	(140,514)	(136,884)
Other payments	(107,754)	(154,084)
Net cash from operating activities before change in operating assets	216,098	219,410
Changes in operating assets		
(Decrease) increase in compulsory balances with the Central Bank	674,850	(857,489)
Decrease (increase) in due from banks and loans to credit and financial institutions	1,731,809	(1,885,165)
(Increase) decrease in loans to customers	(60,491)	160,481
Decrease of finance lease receivable	195,682	450,914
Decrease (increase) in other current assets	34,958	(31,461)
Net change in operating assets	2,576,808	(2,162,720)
Changes in operating liabilities		
Increase in deposits from public	233,606	2,515,269
(Decrease) increase in accrued expenses, deferred income and other liabilities	(787,785)	796,584
Net change in operating liabilities	(554,179)	3,311,853
Net cash from operating activities before income tax	2,238,727	1,368,543
Income tax paid	-	-
Net cash from operating activities after income tax	2,238,727	1,368,543
Cash flow from investing activities		
Acquisition of tangible and intangible fixed assets, net	(6,958)	(8,883)
Acquisition of Government securities available for sale	(138,763)	(44,763)
Sale of Government securities available for sale	141,734	156,011
Disposal of subsidiaries, net of cash disposed	-	8,194
Acquisition of other investment securities	(2,806,368)	(4,156,970)
Sale of other investment securities	3,475,679	4,166,431
Cash flow from investing activities	665,324	120,020
Cash flow from financing activities		
Increase (decrease) in amounts owed to the Central Banks	5	(6)
(Decrease) increase in amounts owed to credit and financial institutions	(2,890,345)	840,400
Decrease in subordinated loans	(241,696)	(352,186)
Interest paid on subordinated loans	(6,308)	(11,872)
Proceeds from own issued debt securities	56,738	76,698
Repurchased own issued debt securities	(76,876)	(162,706)
Interest paid for own issued debt securities	(23,197)	(6,128)
Cash received (used in) financing activities	(3,181,679)	384,200
Net increase (decrease) in cash	(277,628)	1,872,763
Cash 1 January	3,396,418	1,523,655
Cash 31 December	3,118,790	3,396,418
Specified as follows:		
Balance available for withdrawal with the Central Banks	424,169	2,184,595
Overnight deposits	42,550	29,812
Cash on hand	443,393	634,922
Current accounts with other banks	2,208,678	547,089
	3,118,790	3,396,418

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

NOTE 43 RELATED PARTIES

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

The Group			Interest rate %	The Bank	
2012	2011			2012	2011
		Outstanding loan amount			
29,312	89,093	at the year end	0.18-1.54	28,686	88,552
3,105	2,421	Other assets at the year end	-	2,252	2,352
		Outstanding deposit amount			
71,472	55,265	at the year end	0.17-5.5	71,472	55,265
13,001	13,977	Other liabilities at year end		12,375	13,392
52	55	Unused granted overdraft facilities		52	55
-	5,973	Guarantees issued at the year end		-	5,973
9,600	70,926	Guarantees received at the year end		9,600	70,926
-	-			-	-
707	679	Interest income		683	657
(234)	(311)	Interest expense		(234)	(311)
		Other services received and cost			
(4,083)	(10,450)	incurred from SEB group, net		(4,940)	(11,206)

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

The Group			Interest rate %	The Bank	
2012	2011			2012	2011
		Outstanding loan amount			
2,536,274	2,538,753	at the year end	0.20-1.54	2,535,996	2,538,342
		Derivative financial instruments	-		
166,964	35,153	at the year ended		166,964	35,153
23	498	Other assets at the year end	-	23	38
		Outstanding deposit amount			
6,309,920	9,378,204	at the year end	0.17-5.5	5,888,690	8,224,866
593,106	597,936	Other liabilities at year end	-	593,106	597,936
48,402	17	Unused granted overdraft facilities	-	48,402	17
200	464	Guarantees issued at the year end	-	200	464
4,545	3,218	Guarantees received at the year end	-	4,545	3,218
29,503	22,865	Interest income	-	29,490	22,852
(232,537)	(346,920)	Interest expense	-	(214,475)	(310,956)
		Other services received and cost			
(9,502)	(8,201)	incurred from SEB group, net	-	(15,284)	(13,802)

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NOTE 43 RELATED PARTIES (CONTINUED)

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

	Interest rate %	The Bank	
		2012	2011
Off-balance sheet commitments as of 31 December:			
Agreements to grant loans	-	149,677	101,927
Guarantees issued	-	1,082	1,787
Letters of credit issued	-	-	-
Outstanding loan amounts at year end:			
AB SEB Lizingas	0.30-0.92	731,124	426,596
UAB SEB Venture Capital	1.51	37,600	40,004
Outstanding deposit amounts at year end:			
UAB SEB Venture Capital		138	5,995
UAB SEB Investicijų Valdymas	0.04	19,379	18,344
AB SEB Lizingas		182	176,185
Other assets at year end	-	1,964	1,916
Other liabilities at year end			-
	-	-	9
Interest income	-	5,094	5,094
Interest expense	-	(617)	(1,446)
Dividend income	-	8,344	6,064
Other services received and cost incurred from subsidiaries, net	-	11,176	11,849

For the year 2012 the Bank disbursed LTL 552,448 thousand (2011: LTL 245,854 thousand) to AB "SEB lizingas" according lending agreements.

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

The Group		Interest rate %	The Bank	
2012	2011		2012	2011
48,065	51,774	2.55-4.63	35,399	40,618
995	441		995	441
600	-		600	-
2,545	1,743	-	1,493	809
0	(5)	-	0	(5)
147	76	-	147	76

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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 rate %	The Bank	
2012	2011		2012	2011
4,520	4,279	3-3.926	4,520	4,279
5	12	-	5	12
327	1,109	0.05-1.59	327	1,109
2,780	2,632	-	2,780	2,632
927	803	-	927	803
-	315	-	-	315
140	133	-	140	133
(2)	(3)	-	(2)	(3)
11	10		11	10

NOTE 44 ASSETS CLASSIFIED AS HELD FOR SALE

As of 31 December 2012 and 2011 major amount of the Group's non-current assets held for sale comprise of AB "SEB lizingas" foreclosed assets held for sale (mainly trucks and other vehicles), that are expected to be sold in one year. These assets are classified as non-current assets held for sale as they have been accounted as finance lease portfolio before foreclosure and as of the balance sheet date these assets are ready for immediate sale and the Group's management is committed to a plan to sell these assets..

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

Asset group	Net value as of 31 December 2011	Foreclosed or returned	Reclassified to investment property	Decrease in value	Sold	Net value as of 31 December 2012
Cars and mini-vans	1,027	29,912	-	-	30,673	266
Trucks	2,557	6,684	-	-	6,719	2,522
Manufacturing equipment	3,560	557	997	-	910	2,210
Construction equipment	147	2,058	161	-	851	1,193
Agricultural equipment	335	29	-	-	364	-
Real estate	18,949	1,113	1,065	264	2,199	16,534
Other assets	1,356	539	233	-	701	961
	27,931	40,892	2,456	264	42,417	23,686

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

The Group			The Bank	
2012	2011		2012	2011
86,049	93,129	Foreclosed assets or assets returned after termination of agreements	-	29
(62,363)	(65,169)	Impairment losses	-	-
23,686	27,960	Foreclosed assets or assets returned after termination of agreements, net	-	29

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NOTE 45 APPROPRIATION OF PROFIT AND TRANSFERS OF RESERVES

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

	Legal reserve	Net profit for the period	Retained earnings
31 December 2012	236,737	126,287	865,506
Profit appropriation to Legal reserve	49,590	-	(49,590)
Profit appropriation to Retained earnings	-	(126,287)	126,287
31 December 2012 after appropriation of profit and transfers to reserves	286,327	-	942,203

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

NOTE 46 CONTINGENCIES AND COMMITMENTS

The Group			The Bank	
2012	2011		2012	2011
2,544,274	2,089,755	Agreements to grant loans	2,693,951	2,191,682
554,414	512,979	Guarantees issued	555,495	514,766
180,215	212,417	Letters of credit issued	180,215	212,417
32,601	24,866	Commitments to purchase assets	-	-
80	-	Other commitments	80	-
38	38	Customs guarantees collateralised by deposits	38	38

Legal proceedings

Over the reporting period, the Competition Council of the Republic of Lithuania (hereinafter the 'Competition Council') took a decision by which, having assessed the circumstances found during the investigation, it stated that AB SEB bankas and other economic entities indicated in the decision have violated Article 5 of the Law of the Republic of Lithuania on Competition that prohibits any competition-restricting arrangements and, having taken into account the character and scope of actions, recognised that the arrangements of AB SEB bankas and other economic entities indicated in the decision had an impact on trade among the EU Member States, therefore, the provisions of Article 101 of the Treaty on the Functioning of the European Union were violated. The Competition Council imposed a fine of more than LTL 57 million in total on AB SEB bankas and other economic entities indicated in the decision for the arrangements that restricted competition in the markets of cash management and cash collection services. AB SEB bankas was imposed a fine of LTL 24,808,200. AB SEB bankas appealed against such decision of the Competition Council. But at the year end AB SEB bankas made a provision for the fine imposed amounting to LTL 24,808,200.

There were several other proceedings outstanding against the Group and the Bank at 31 December 2012 and 2011. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

As of 31 December 2012 rental off balance sheet commitments of the Group amounted to LTL 136,916 thousand (2011: LTL 162,278 thousand) and rental off balance sheet commitments of the Bank amounted to LTL 136,234 thousand (2011: LTL 160,899 thousand). All non-cancellable commitments fall into the period within ten years.

The table below presents operating lease amounts for the years 2012 and 2011 when the Group and the Bank is lessee:

The Group			The Bank	
2012	2011		2012	2011
		The total of future minimum lease payments under non-cancellable operating leases:		
28,983	33,761	<i>up to 1 year</i>	28,655	33,314
81,751	102,457	<i>1-5 years</i>	81,397	101,525
26,182	26,060	<i>Over 5 years</i>	26,182	26,060
		The total of future minimum sublease payments to be received under non-cancellable subleases		
(3,502)	(2,836)		(3,486)	(2,821)
		Lease and sublease payments recognised in the income statement:		
33,790	35,051	<i>minimum lease payments</i>	33,389	34,373
-	-	<i>contingent rents</i>	-	-
(2,329)	(2,746)	<i>sublease payments</i>	(2,594)	(2,553)

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NOTE 46 CONTINGENCIES AND COMMITMENTS (CONTINUED)

During the year 2012 the Group incurred rent expense amounting to LTL 31,461 thousand while AB SEB bankas – LTL 30,795 thousand (for the year 2011 respectively: LTL 32,795 thousand and LTL 32,020 thousand).

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

The Group			The Bank	
2012	2011		2012	2011
1,938	1,913	Short term deferred income (up to 1 year)	1,922	1,513
-	160	Long term deferred income (up to 5 years)	-	-
1,938	2,073	Total future lease and rental payments receivable under non-cancellable operating lease	1,922	1,513

NOTE 47 POST BALANCE SHEET EVENTS

After the balance sheet date the Bank successfully completed 3 debt securities issues with the nominal value of LTL 4,817 thousand.

After the balance sheet date the Bank successfully redeemed 8 debt securities issues with the nominal value of LTL 61,647 thousand.

After the balance sheet date the Bank started placing 3 debt securities issues that should be completed on 15th of April

On 10 January 2013 the Board of the Bank of Lithuania has decided to cut reserve requirements ratio from 4 to 3 per cent and to pay remuneration for reserves holding in central bank based on ECB deposit facility rate (0,00 % from 11 July 2012), instead of main refinancing operation rate (0,75 %).

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

The public company AB SEB bankas, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

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

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

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

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

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2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	YES	Members of the supervisory council are appointed for the four-year tenure. Abiding by the bank's Articles of Association and according to its practice, a member of the supervisory council may be re-elected for another tenure. The number of tenures for members of the supervisory council is unlimited.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart 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, professional experience, as well as other data about candidate; candidates to the Supervisory Council members have to fulfil the criteria of impeccable reputation; statements of the candidates to the Supervisory Council members on their current position with the Bank or with its subsidiary companies group; prior to electing any person to the Supervisory Council as its member, a permit of the Bank of Lithuania is obtained, etc.

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

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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.	YES/ NO	No provision on informing a collegial body on any subsequent changes in the provided information is adhered to.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	YES	
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	NO	The Supervisory Council does not determine its desired composition and does not have it periodically evaluated, as it is elected by shareholders, and the candidates as well as their qualifications are approved by the Bank's supervisory authority, namely, the Bank of Lithuania, by issuing a permit to elect a person to the Supervisory Council as its member, therefore, in our opinion, this is sufficient in order to maintain a balance of qualifications of members of the collegiate body. Provisions number two, three and four are met.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	NO	Candidates to the collegiate body as its members are approved by the Bank's supervisory authority, namely, the Bank of Lithuania, by issuing a permit to elect a person to the Supervisory Council as its member, also, the Bank of Lithuania is kept informed on changes in the data (including changes in qualifications) of the members, therefore, in our opinion, this is sufficient to ensure that that the bank's collegiate body would consist of only individuals with adequate qualifications, knowledge and skills. For these reasons, no individual programmes or annual reviews are conducted.

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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 sufficient⁴ number of independent⁵ members.	NOT APPLICABLE	The Bank has a single shareholder.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration 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);	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.

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4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	NO	Up to now Supervisory Council members were not.

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3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	NO	Comment at 3.7.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	NO	Comment at 3.7.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. ⁶ . The general shareholders' meeting should approve the amount of such remuneration.	NOT APPLICABLE	
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ 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 strategy of the Bank's activities, its annual consolidated financial statements, draft profit (loss) appropriation, the consolidated annual report of the Bank as well as the activities of the Management Board and President of the Bank, also, it performs other functions of supervising the activities of the Bank and its managing bodies attributed to the competence of the Supervisory Council.

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

⁷ See Footnote 3.

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

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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).	YES/ NO	According to the data available to the Bank, each member of the Supervisory Council acts in good faith with regard to the company, abiding by the interests of the company and not those of his/her own or any third party, aiming to maintain his/her independence. However, the provision regarding independent members of the Supervisory Council is not observed as there are no such independent members.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half ⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	YES	Each member of the Supervisory Council performs his/her duties in a proper manner: by actively participating in the meeting of the collegiate body and by devoting sufficient time of his/her own for the performance of his/her functions as a member of the collegiate body.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	YES	

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

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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.	YES/ NO	YES - the Supervisory Council approves the Requirements for internal lending and lending to persons related to the bank, establishes maximum limits for of such lending. However, the provision of the majority vote of independent members is not observed, because, as it has already been mentioned above, there are no independent members in the Supervisory Council.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	YES	

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

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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 committees¹¹. 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.	YES/ NO	There are no independent members. Only the Audit and Remuneration committees are formed in the Bank. There is one independent member in the Audit Committee.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	YES	The recommendation applies to the Audit and Remuneration committees.
4.9. Committees established by the collegial body should normally be composed of at least three 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	YES/ NO	The provision regarding the minimum number of committee members is met. The Audit and Remuneration committees are not composed of independent members of the Supervisory Council, as there are no such members in the Supervisory Council at all. There is one independent member in the Audit Committee, but he is not a member of the Supervisory Council.

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

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regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.		
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.	YES/ NO	YES – the Audit and Remuneration committees function in accordance with the regulations approved by the Supervisory Council that establish the authority of the committees. The annual report includes information on composition of the committees and their main activities. NO – the annual report does not include information on the meetings of the committees.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	YES	

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

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remuneration of other executive directors or members of management body and other staff members of the company; - Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; - Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; - Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); - Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: - Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; - Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; - Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.	YES YES YES YES YES YES YES NO	Yes – the Remuneration Committee considers and submits recommendations on the individual remuneration (including pension plans) of the heads of the Bank, which are directly subordinate to the President and the members of the Management Board of the Bank. Yes – the Remuneration Committee prepares long-term employee incentive programs and submits thereof to the Bank's Supervisory Council for approval. There is no such practice. The Remuneration Committee is accountable to the Bank's Supervisory Council, members of which are the representatives of the sole shareholder of the Bank.
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: - Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); - 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	YES YES	The Audit Committee discusses, on regular basis, the external auditors' comments, including the consistency of accounting methods. 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

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the information provided; • 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	acts. 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. The committee provides recommendations on the selection of the head of internal audit department.
• Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;	YES	Audit company is selected at the SEB Group level. There were no situations leading the audit company to resign.
• Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;	YES	External auditors annually provide the committee with the independence confirmation. The SEB Group has a uniform SEB External Audit Policy, approved by SEB's Audit and Compliance Committees defining the independence of external auditors, providing of services to the SEB Group companies and purchase of other than audit services from external audit.
• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.	YES	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.
4.14.2. 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	
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.

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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 Department and its work plans are approved by the Audit Committee. According to the regulations, the Internal Audit Department is directly reporting to the Chairman of the Supervisory Council, which fact ensures a possibility to directly turn to the Audit Committee and/or the Council.
4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.	YES	The Audit Committee is provided with quarterly internal audit set-format reports. The annual audit plan is approved by the Audit Committee. External auditors inform the Audit Committee on regular basis about the audit plans and audit services provided under an agreement.
4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.	NO	There is no formal procedure set.
4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.	YES	The Supervisory Council is provided for familiarisation with the entire documentation discussed by the Audit Committee.
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	NO	It is intended to implement this provision.
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.		

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5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	YES	The meetings of both the Board and the Supervisory Council are chaired, convened and appropriate conducting of the meetings is ensured, respectively, by the Chairman of the Supervisory Council and the Chairman of the Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month ¹² .	YES	Based on the work regulations of the Supervisory Council of the Bank, the Supervisory Council meetings are convened no less than once a quarter (in practice, they are convened more often), and based on the work 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-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	YES	
Principle VI: The equitable treatment of shareholders and shareholder rights		
The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		

¹² The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

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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.	NOT APPLICABLE	The Bank effects public placement of bonds only.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. ¹³ All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	NO	The Bank's Articles of Association do not establish criteria for major transactions based on which criteria transactions would be selected that require an approval of the general shareholders' meeting.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	YES	General shareholders meetings are usually conducted at the Bank's domicile on the Bank's business days and ensuring, in a timely manner, equal opportunities for shareholders to attend the meeting, to lodge questions to members of the management bodies and receive answers to them.
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	NO	Documents of the general shareholders' meeting including the minutes, are not publicly accessible, they are, abiding by the laws of the Republic of Lithuania, provided to shareholders for familiarisation and respectively to other persons that have attended the meeting.

¹³ The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

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6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	The Bank's shareholders may implement the right to attend the general shareholders' meeting both in person and via a proxy, if a person has a required authorisation or if a proxy agreement has been executed with such person pursuant to the procedure established by law, also, the Bank enables shareholders to vote by completing the general voting ballot, as provided for by the Company Law of the Republic of Lithuania.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	NO	The provision is not adhered to its full extent: so far, no necessity has occurred to use terminal equipment of telecommunications at the general shareholders' meetings.
Principle VII: The avoidance of conflicts of interest and their disclosure The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	YES	Members of the Supervisory Council and the Board of the Bank adhere to the provisions contained in these recommendations. Regarding recommendation 7.3: a decision on lending to a person related to the Bank is taken by the Board by no less than 2/3 of votes of the Board members attending the meeting.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	YES	

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7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	YES	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	YES	When decisions are taken concerning transactions or other issues of personal or business interest to a person, such person abstains from voting.
Principle VIII: Company's remuneration policy Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	YES	The remuneration statement is made available to the public at least once a year together with the annual financial statements or by a separate notification and shall also be available on the Bank's website.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	YES/ NO	NO – the remuneration statement does not focus on remuneration policy for the following year. YES - the Remuneration Policy of the Bank's Group establishes the remuneration principles not only to the directors, but also to all employees. The remuneration statement includes decision making process seeking to establish and revise the principles of remuneration policy, and general quantitative information on remuneration to employees by excluding the Bank's management.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance;	YES	The remuneration statement, in compliance with the Bank's secret and personal data protection requirements, includes only information required by the legal acts, whereas other information, in Bank's opinion, is not to be placed in public domain from a commercial point of view.

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• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.		
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.	YES/ NO	The remuneration statement, in compliance with the Bank's secret and personal data protection requirements, includes only information required by the legal acts, whereas other information, in Bank's opinion, is not to be placed in public domain from a commercial point of view. The remuneration statement includes the following general information on implementation of Remuneration Policy of the Bank's Group: allocation of redundancy payments in case of agreements' termination per financial year, number of beneficiaries and maximum amount per person; amount of guaranteed variable pay specified under the new agreements and redundancy payments in case of the agreements' termination per financial year and number of beneficiaries.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his	YES/ NO	The remuneration statement, in compliance with the bank's secret and personal data protection requirements, includes only information required by the legal acts, whereas other information, in Bank's opinion, is not to be placed in public domain from a commercial point of view. The overall employees' incentive policy is placed in the internal database only. The remuneration statement includes the following general information on implementation of Remuneration Policy of the Bank's Group: 1. general quantitative information on employee remuneration (the Bank's top management and employees accepting the risk of the Bank's Group excluded): - total amount of fixed and variable pay and the number of beneficiaries; - amount of variable pay split into benefits in cash, pension premiums, equities, equity-linked financial instruments, other financial and non-financial instruments;

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resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		- amounts of non-disbursed deferred variable pay distributed into portions, allocated and non-allocated for employees; - amounts of disbursed and adjusted variable pay allocated in the specified financial year taking into consideration performance results; - amount of guaranteed variable pay established under the new agreements and redundancy payments in case of agreements' termination per financial year and the number of beneficiaries; - allocation of redundancy payments in case of agreement termination per financial year, the number of beneficiaries and maximum amount per person; 2. variable pay portions and all other non-cash benefits' allocation reasons and criteria.
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	YES	
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	YES	Variable pay is linked with performance results, the total remuneration amount shall be based on the overall assessment of the individual, business unit and the Bank's Group results. In order to assess the input of each employee the achieved financial results as well as non-financial criteria shall be taken into account.

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8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	YES/ NO	The general provision of deferral does not apply to all employees, it applies only to the employees accepting the risk of the Bank's Group
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	NO	It is not possible for the Bank to reclaim amounts that were awarded, while amounts that were deferred may be reduced or not awarded at all. o tai, kas atidėta gali būti sumažinta arba iš viso neišmokama.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	YES	Payments related to termination of the employment contract are established according to the existing acts of law.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	YES	Payments related to termination of the employment contract shall be established taking into account the employee's performance results within the recent one-year period of employment at the Bank's Group and also that no reward is paid to employee (no reward for failure) if his/her activity resulted in losses of the Bank's Group, except mandatory payments approved according to the existing acts of law.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	YES	The remuneration statement includes information on the decision-making process to identify and review principles of the Remuneration Policy of the Bank's Group, including information on activities of the Remuneration Committee, external consultants, if the latter provided the policy drafting services.
8.13. Shares should not vest for at least three years after their award.	YES	
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	YES	
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	YES	

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8.16. Remuneration of non-executive or supervisory directors should not include share options.	NOT APPLICABLE	Members of the Supervisory Council of the Bank receive no remuneration from the Bank.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	NOT APPLICABLE	
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	NO	There is no such practice.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	NOT APPLICABLE	
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	NO	There is no such practice.

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8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	NO	There is no such practice.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	NO	There is no such practice.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	NO	There is no such practice.
Principle IX: The role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES	

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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.	YES/ NO	The Bank does not adhere to provision 6 under recommendation 10.1 because it is not required by the legal acts and is not important for the Bank. All other information is announced by the Bank in its annual and interim reports as required, as well as via different communication channels: on its website, notifications on material events, press releases, press conferences.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	YES	

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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/ NO	The Bank discloses this kind of information according to the requirements of laws. General quantitative information on remuneration of the members of the Management Board of the Bank is provided. In addition, yearly amounts calculated to the President of the Bank and the Chief Financial Officer of the Bank are provided separately.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	YES/ NO	To a certain extent the Bank does not adhere to recommendations 10.4, as in the Bank's opinion the information on the relations between the Bank and persons with an interest in it, such as employees, creditors, suppliers, local community, including the Bank's policy regarding human resources, programmes for employee participation in the Bank's equity, etc. is information not to be placed in public domain.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	YES	Notifications on material events are disclosed in such a way that everyone and at the same time would have equal possibilities to access and familiarize with information when such notifications are announced on stock exchange, website and via other channels – press releases, press conferences.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	YES	Website, notifications on material events, press releases, press conferences are used as tools for wider dissemination of information. Information on services provided by the Bank is available at any branch 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 branches or at the Bank at phone 1528 (private customers) or 19222 (corporate customers). Languages: Lithuanian and English.

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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 an issuer of listed debt securities, the said documents and information are published on the Bank's website (irrelevant – regarding changes in the price of the company's shares on the Stock Exchange).
Principle XI: The selection of the company's auditor The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	YES	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	NO	A candidate firm of auditors is proposed to the general shareholders' meeting by the Board of the Bank.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	NOT APPLICABLE	The audit company has not rendered any significant non-audit services to the Bank.