

Annual report 2003



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Report of the Chairwoman of the Board



Reviewing the results of the past year, the board of *Ūkio bankas* first looks at its clients, both those who have been working with the Bank since its establishment almost fifteen years ago and those who have come to the Bank in recent years, and shares their feeling of gratification. We take deserved pride in having a circle of permanent clients which expands every year. Last year the number of new business clients grew by 12% and the number of individuals by 31%. The increase in the number of clients is the best indicator of the results of our operation and serves as the best acknowledgement that the Bank is working and growing according to an appropriate strategy.


Other activity indicators also point to the balanced and purposeful growth of the Bank and its orientation to clients actively using our financial services. As a result of the successful emission of an issue of shares totalling LTL 16 million and an earned net profit of LTL 4.9 million, the capital base increased by almost a quarter, or LTL 20.9 million in 2003. During the last three years, the capital of the Bank has increased by 77% and now totals LTL 108.9 million.

As the number of clients has grown, the Bank has rapidly increased its operations. The number of local and international money transfers increased by

30% in 2003. The number of users of the internet banking service "Eta bankas" doubled. We are also delighted at the activeness of the users of "Eta bankas". On average every user performs one financial operation per day.

In 2003, the Bank's assets increased by 36% to LTL 955 million making *Ūkio bankas* one of the top five commercial banks operating in Lithuania. The volume of the portfolio of loans provided to clients and the financial sector significantly increased – from LTL 145 to 265 million, which constitutes growth of 83%. Growth in interest income determined the increase in the Bank's profit – net interest profit increased by 7% and comprised LTL 3.5 million. The general income of the Bank last year totalled LTL 41.5 million, and as in previous years, the largest portion consisted of revenues received from client services. Net income from services and commissions comprised 41% of the general income, interest income – 38%, income from ownership securities, transactions in foreign currency, derivative and other financial instruments and securities – 21% of total income. Net income from services and commissions comprised the largest share of the Bank's revenues – LTL 17.1 million.

In our daily operations, we endeavour to create an atmosphere of mutual trust and partnership between the employees and the clients of the Bank. We are seeking to be a close, friendly and attentive financial consultant who helps clients use their resources and time rationally. The work of the Bank's specialists follows the main principles of providing professional financial service to both businesses and individuals, not only in the largest



cities of the country but also regionally, and assisting in the development of small and medium-sized business in Lithuania. During the past year, the Bank continued expanding its client service network, which now encompasses almost all of Lithuania, as well as introduced new and improved financial services.

The past year was a successful one for the Bank's subsidiary company *UAB Ūkio banko lizingas*. The company made a LTL 1.2 million profit. Its leasing portfolio grew by 42% to LTL 81 million. The rapid growth of this portfolio along with new contracts secured a stable place for the subsidiary among the leaders of small leasing.

In 2003, the Bank established another subsidiary company, *UAB Optimalus turto valdymas*, which provides real estate management services. At the end of the year, the company had assets with a total value of LTL 23.2 million.

In 2004, we are seeking to sustain the planned growth rates of the Bank. We are planning for the emission of another issue of LTL 15 million shares, by issuing ordinary shares with a par value of LTL 12. A profit of about LTL 5.2 million is projected.

The Bank will continue expanding its client service network and credit services for small and medium-sized businesses, intensify co-operation with state funds that provide assistance and additional guarantees to businesses, and consult its clients who want to take advantage of the resources of EU structural funds. In order to assist our clients working outside Lithuania, we are planning to expand our operations abroad and establish representative offices in Ukraine and Russia.

We intend to make extensive use of the opportunities created by the Bank's membership in the Brussels International Banking Club. *Ūkio bankas* was the first and, to date, the only bank in the Baltic countries to become a full member of the club in 2003. One of the central aims of the Bank is supporting and promoting co-operation among banks, investment companies and financial institutions of the EU and the CIS countries. In the context of Lithuanian integration into the EU, this membership opens up vast opportunities for activity to both the Bank and its clients.

In 2004, as in the previous years, we will place particular emphasis on client services, so that everyone who applies to the Bank is heard, understood and accorded respect. In our view, the quality of client services is the main competitive advantage of the Bank and is crucial for its successful operation.

Ūkio bankas plans to take part in the financing of promising business projects that are significant to the economy and prestige of the entire country, and to make a contribution to business development in Lithuania.



Edita Karpavičienė
Chairwoman of the Board

Council of the Bank



Liutauras Varanavičius
Chairman of the Council

Ulf Löwenhav
Deputy Chairman of the Council

Leonas Rimantas Butkus
Member of the Council

Olga Gončaruk
Member of the Council

Gražina Jakavičienė
Member of the Council

Ala Kurauskienė
Member of the Council

Viktoras Soldatenko
Member of the Council

* The composition of *Ūkio bankas* Council was approved in the general shareholders' meeting, which took place on 25 March 2004.

Board of the Bank



Edita Karpavičienė
Chairwoman of the Board

Gintaras Ugianskis
Deputy Chairman of the Board

Rolandas Balandis
Member of the Board

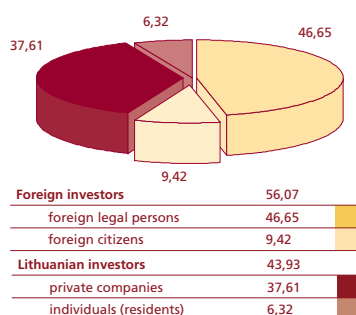
Sergejus Fedotovas
Member of the Board

Share Capital and Financial Investments

SHARE CAPITAL

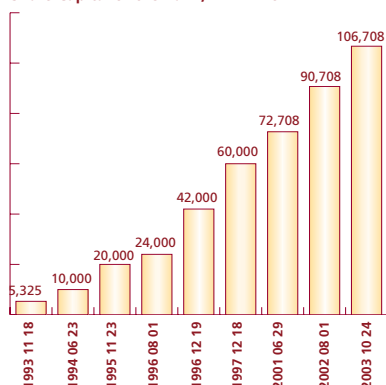
The registered share capital of AB Ūkio bankas is LTL 106 707 996. The Bank has issued 8 892 333 units of ordinary shares with a par value of LTL 12.

Shareholder Structure, 31 12 2003, percentage



On 24 October 2003, an increase in the share capital of the Bank was registered. With the new emission of shares, the share capital of the Bank was increased by LTL 16 million, from LTL 90.7 million to LTL 106.7 million.

Share Capital of the Bank, LTL million



Ūkio bankas shares are quoted on the Current List of the National Stock Exchange. The turnover of Ūkio bankas shares trading at the National Stock Exchange was LTL 11.46 million in 2003. As of 31 December 2003, the capitalisation of Ūkio bankas shares was LTL 57.80 million. In comparison to 2002, it grew 1.5 times (from LTL 23.21 million).

The portion of shares that belong to Lithuanian investors increased from 39.73% to 43.93% in 2003.

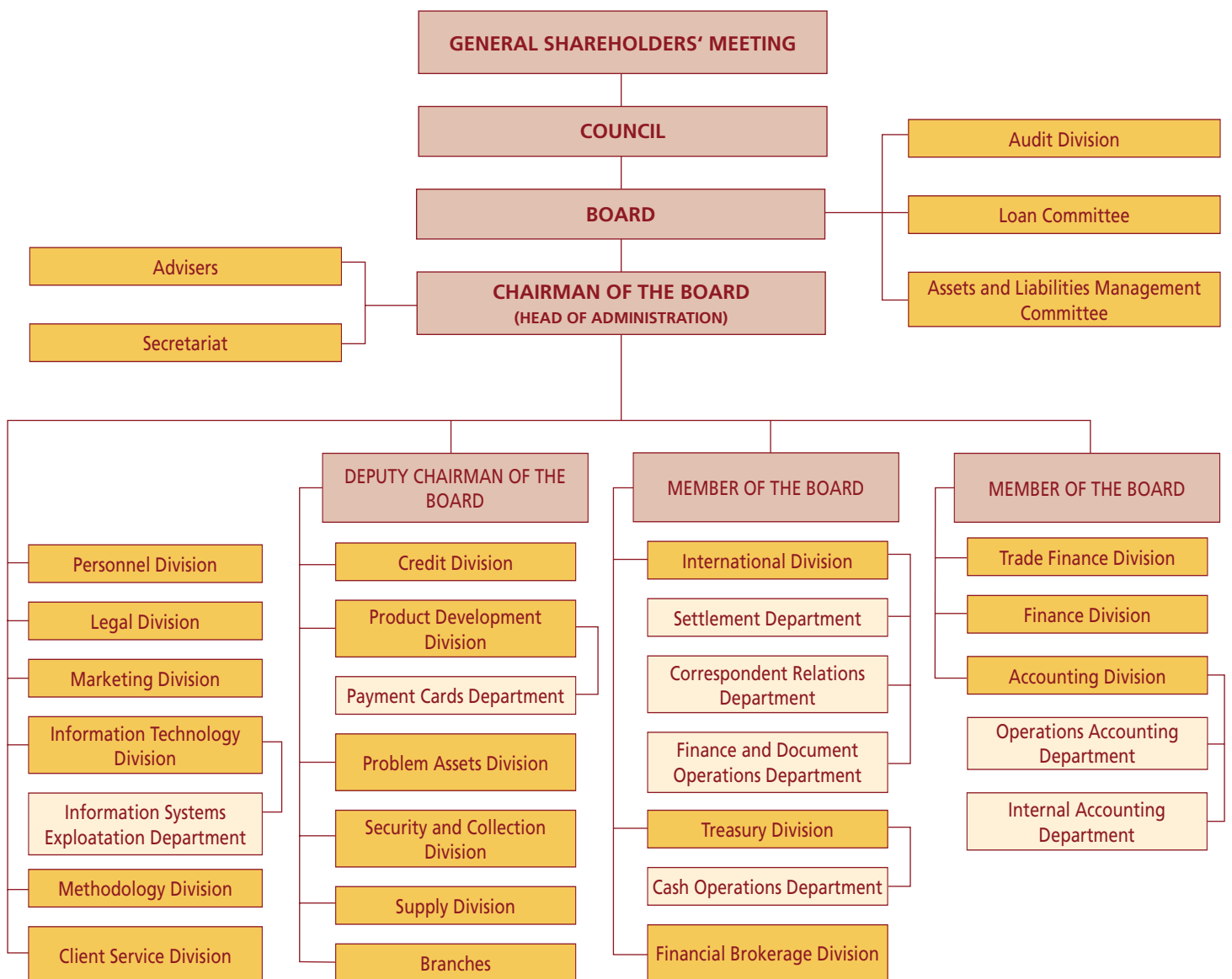
OWNERSHIP SECURITIES

In 2003, Ūkio bankas established a subsidiary company, UAB Optimalus turto valdymas, which provides real estate management services. At the end of the year, the company was managing property with a total value of LTL 23.2 million.

At the end of 2003, Ūkio bankas had invested most in shares of the following companies:

- *UAB Ūkio banko lizingas* – authorised capital of the company – LTL 1 million; all shares (100 units) are owned by Ūkio bankas;
- *UAB Optimalus turto valdymas* – authorised capital of the company – LTL 0.1 million; all shares (100 units) are owned by Ūkio bankas;
- *AB Holdinginė tekstilės korporacija* – authorised capital of the company – LTL 24 million; Ūkio bankas owns 19.99% of the company's capital;
- *UAB Domus Altera* – authorised capital of the company – LTL 9.33 million; Ūkio bankas owns 19.99 % of the company's capital;
- *UAB Ūkio banko investicinė grupė* – authorised capital of the company – LTL 67.5 million; Ūkio bankas owns 13.34% of the company's capital
- Life insurance company *UAB Bonum Publicum* – authorised capital of the company – LTL 5.01 million; Ūkio bankas owns 10 % of the company's capital;
- *UAB Energetinių sistemų lizingas* – authorised capital of the company – LTL 1.16 million; Ūkio bankas owns 10 % of the company's capital;
- *Balkan Investment Bank AD* – authorised capital of the bank – 18 million Bosnian marks (approx. LTL 32 million); Ūkio bankas owns 9.97% of the bank's capital;
- *Financial broker company UAB Finbaltus* – authorised capital of the company – LTL 8 million; Ūkio bankas owns 9.61% of the company's capital.

Management structure

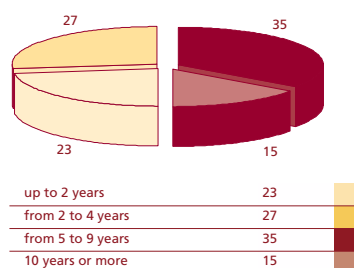


EMPLOYEES

Employees are the biggest asset of the Bank. Fifteen per cent of the employees have been working in *Ūkio bankas* for ten or more years. Most of them are those who are directly communicating with clients, providing services and consulting. These employees have had a unique opportunity to establish long-term relationships with clients based on mutual understanding and trust. Their daily work ethic provides an excellent example to their younger colleagues on how the clients' trust is earned and how close relationships between Bank employees and clients and also between the Bank and businesses are established. In addition to experience, this requires a good knowledge of financial services, an understanding of the business environment and the needs of businessmen, deference, the ability to listen to and recognise everyone's diverse needs, as well as many other things which may be described in one word - quality.

The Bank always gives special attention to improving the quality of client services. Last year, a service quality control system was introduced which will provide additional motivation for employees to be helpful, cordial and attentive to everyone who comes or applies to the Bank.

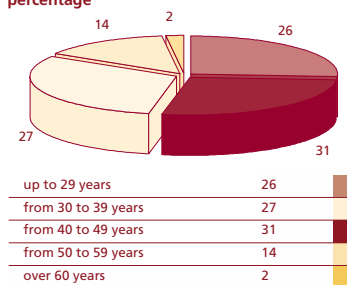
Distribution of Bank Employees by Work Experience, percentage



At the end of 2003, the Bank employed 332 employees, including 141 at the Headquarters and 191 at the branches. Eighty-two per cent of the Bank's employees have university or higher education.

At the end of 2003, 33% of the Bank's employees were men and 67% women.

Distribution of Bank Employees by Age, percentage



Employees of the Bank are constantly encouraged to take interest in the innovations of financial services and further improve their professional knowledge. In 2003, 44% of the Bank's employees improved their qualification in evening courses at the Lithuanian Banking, Insurance and Finance Institute (LBDFI), short-term courses and seminars at the LBDFI and other Lithuanian and foreign information and consulting companies, as well as at the Bank.



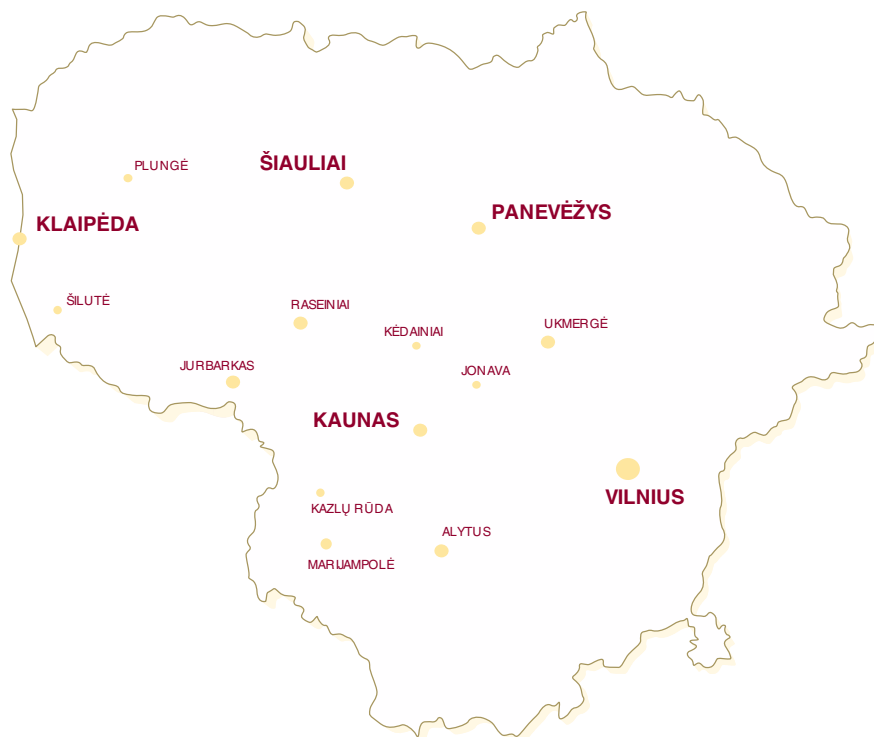
SERVICE NETWORK

Ūkio bankas, headquartered in Kaunas, has a wide and well-organised client service network all over Lithuania. It is notable that the Bank's network is optimally located in the main industrial districts of the country. Good, constructive relations have been established with the local business society and inhabitants. In 2003, the Bank had 12 branches and 12 client service divisions.

Last year, the Bank continued expanding and upgrading its client service network. Two new

divisions were opened in Kaunas and one in Klaipėda. The Bank plans to continue expanding the client service network in 2004 by opening divisions in those places where there is the greatest need for financial services.

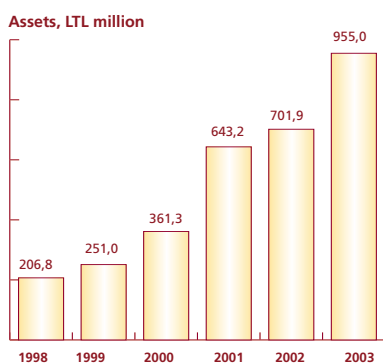
To ensure that information relevant to business and innovations reaches all client service units at the same speed, the Bank organised information seminars. Heads of branches and divisions were introduced to the structural funds of the European Union and the potential of obtaining funding from this source.



Activity Overview

ASSETS

In 2003, the Bank's assets increased by LTL 253.1 million, or 36.1%, and as of 31 December 2003 comprised LTL 955 million. In regard to asset value, *Ūkio bankas* is one of the top five commercial banks operating in Lithuania. At the end of 2003 *Ūkio bankas'* assets comprised 4.3% of Lithuanian bank assets, compared to 4.1% at the end of 2002.



The main source of asset growth in 2003 was the funds of banks and other credit and financial institutions, as well as individual deposits, which increased by LTL 178.3 million (2.5 times) and LTL 105.9 million (42%) respectively.

In 2003, deposits in banks and other credit and financial institutions increased more than 1.5 times to LTL 337 million, and comprised the largest part of the Bank's assets (35%). The volume of the Bank's loan portfolio increased by 83% - from LTL 145 to LTL 265 million.

The Bank's debt securities portfolio increased by 15% to LTL 33 million, and the Bank's ownership securities portfolio was LTL 25 million at the end of 2003, which constitutes an increase of LTL 9 million during the year.

INCOME

According to International Accounting Standards, *Ūkio bankas* had a net profit of LTL 4.9 million in 2003, or 2.5% more than planned (LTL 4.8 million).

The Bank's return on assets (ROA) indicator was 0.59% in 2003 and return on equity (ROE) – 5.00%.

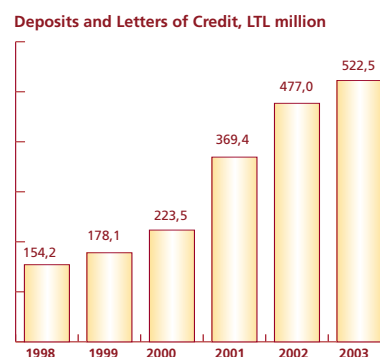
The Bank had LTL 41.5 million of general income in 2003. In implementing the planned strategy, much attention was paid to increasing the volume of financial services; therefore, the net profit from services and commissions constituted the largest part of income – 41% of all income, or LTL 17.1 million.

Interest income comprised 38% of all income, or LTL 15.7 million. As a result of the growth of interest bearing assets, the net profit from interest increased by 7% and comprised LTL 3.5 million last year.

Income from owned securities, currency transactions, derivative and other financial instruments comprised 21% of the Bank's income, or LTL 8.7 million. *Ūkio bankas'* profit from foreign currency transactions, derivative and other financial instruments grew significantly in 2003. In comparison to 2002, the Bank's revenues from these operations increased almost 3.5 times, from LTL 2.1 to LTL 7.1 million in 2003.

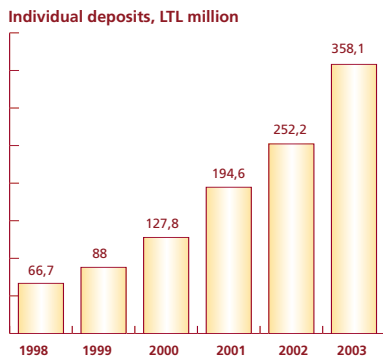
DEPOSITS AND LETTERS OF CREDIT

Deposits and letters of credit in *Ūkio bankas* increased by 9.5% during 2003 and amounted to LTL 522.5 million at the end of the year. As a result of successful marketing, fixed term individual and business deposits were the Bank's fastest growing. During the year, they increased LTL 72.7 million, or 24.9%, to LTL 364.9 million. A 14.7% decrease in non-fixed deposits was determined by a structural change in the Bank's business clients. While funds of private companies decreased by LTL 37.9 million, funds of banks and financial institutions on deposit in the Bank increased by LTL 199.2 million.





The number of depositors grew by almost a third in 2003 and resulted in a 42% (LTL 105.9 million) increase in individual deposits. At the end of the year, individual deposits amounted to LTL 358.1 million.

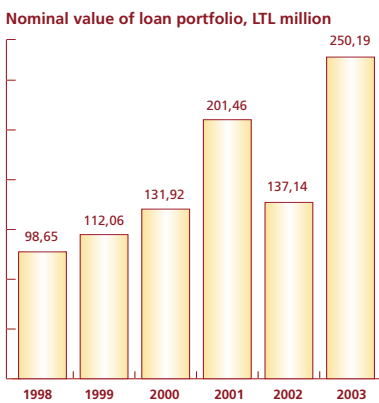


In comparison to the end of 2002, business deposits as a percentage of all deposits and letters of credit decreased by 15.7 percentage points in 2003, to 31.5%. Fixed-term deposits as a percentage of all deposits grew by 8.6 percentage points, to 69.8%.

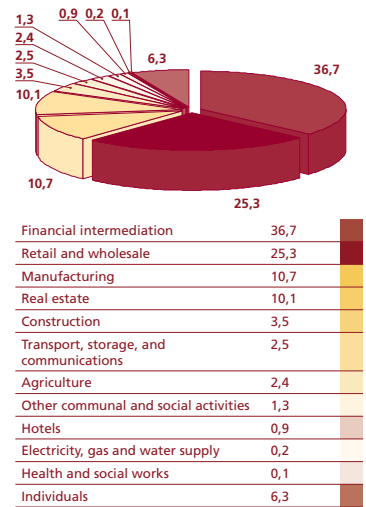
CREDIT SERVICES

Ūkio bankas provides various short-term and long-term credit services to business and individual clients.

Business clients receive short-term and long-term loans, credit lines, overdrafts, and factoring. Clients of the Bank may also use the Bank's guarantee, vouchers, and letters of credit.



Distribution of the loan portfolio by types of activities, 31 12 2003, percentage

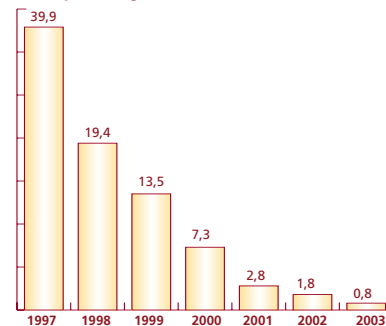


The Bank expanded the provision of credit service to individuals. Clients may receive credit for the acquisition of various types of property and for the satisfaction of consumption needs. Individual clients can use credit through their payment card accounts to cover short-term current expenses.

In the area of credit services, the Bank gave priority to medium-term (2-5 years) credit in 2003, although the volume of short-term (up to 1 year) credit was also increased. The share of medium-term loans sprang up from 21.7% to 38% during the year.

The quality of the Bank's loan portfolio was continuously increasing. Special provisions during 2003 decreased by LTL 0.48 million, from LTL 2.48 million to LTL 2.00 million, constituting 0.8% of the loan portfolio value.

Share of special provisions from portfolio value, percentage



The share of standard and potentially risky loans (classified in risk groups 1-2) increased significantly during the year and as of 31 December 2003 comprised 96.8% of the loan portfolio. Loans in risk groups 4 and 5 comprised 1.12% of the entire loan portfolio.

Our business clients' investment projects were financed with local resources, and funds from foreign financial institutions attracted through co-operation with foreign banks such as Deutsche Genossenschaftsbank, HypoVereinsbank and Dresdner Bank AG were used for financing.

Ūkio bankas also provided assistance to companies in absorbing funds received from the Lithuanian Environmental Protection Investment Fund and the European Union PHARE programme.

TRADE FINANCE

In 2003, *Ūkio bankas* actively provided trade finance services to business clients, assisting them in solving problems related to short-term turnover capital needs.

Last year, the Bank introduced an automatic accounting and administration programme for factoring and accounts receivable contracts which will enable speeding up decision-making.

The Bank accumulates data on clients and their customers and performs analyses of their financial situation.

In performing the operations of accounts receivable and factoring, the Bank finances commercial liabilities on the basis of invoices issued to Lithuanian and European Union companies. Interest in the Bank's trade finance service is on the rise; therefore, plans have been made to continue expanding this service in the future in order to attract new clients and customers and considerably increase the volume of financing. The greatest increase in the volume of financing is planned in the area of international trade finance operations.

Under accounts receivable contracts in 2003, *Ūkio bankas* took over debt claims in the amount of LTL 5.14 million (2.8% more than in 2002), and financing

limits under factoring contracts reached LTL 10.48 million (87% more than in 2002).

The turnover of factoring operations in the Bank grew by 31%, reaching LTL 58.17 million in 2003. As of 31 December 2003 the total amount of receivables transferred to the Bank was LTL 16.88 million.

TREASURY

Ūkio bankas was one of the first to offer its clients the chance to acquire future currency transactions in world markets. In 2003, we offered new currency trade and market operations services that help clients manage currency and other risks.

In October 2003, *Ūkio bankas* became the first non-resident bank in Russia conducting currency trade in Moscow's Russian Trading System (RTS). During the last quarter of the year, 86 currency trade transactions were made at the request of clients.

Apart from spot currency exchange transactions, forward currency exchange transactions and swap exchange transactions, with which the clients were already familiar, last year the Bank also offered performing currency option transactions.

The Bank's objective of effective control of short-term cash flows and increased resources enabled it to become an active participant in the Lithuanian interbank deposit market.

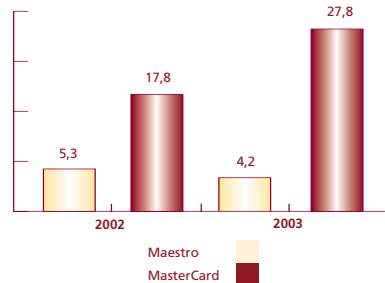
Ūkio bankas' share in the interbank overnight deposit market grew to 7%. The total volume of deposits provided to other banks reached LTL 752 million in 2003.

PAYMENT CARDS

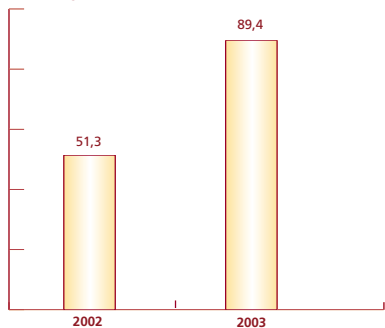
The number of payment cards issued by the Bank during the year increased one and a half times and by the end of 2003 the Bank had issued more than 14 thousand payment cards. The Bank's MasterCard was used most effectively in 2003 with the average annual turnover of a single MasterCard being LTL 27.4 thousand. The total turnover of all cards issued by *Ūkio bankas* grew by 74%, reaching almost LTL 90 million per year.



Average annual turnover of a single payment card, LTL thousand



Total annual turnover of all payment cards, LTL million



In 2003, *Ūkio bankas* paid special attention to the installation of a new system for the issuing and servicing of payment cards – Transmaster. The new system combines the most advanced technologies for database and operations management and is adjusted for processing large amounts of information.

The new system made it possible for cardholders to choose between litas, Euro or US dollar accounts. The application of the newest technologies of the Bank enabled clients to manage not only Maestro but also MasterCard accounts through the internet banking system “Eta bankas”.

Since the new system is adapted for issuing microprocessor cards, in 2004 *Ūkio bankas* intends to focus on transition to the new technologies and preparation for issuing microprocessor cards.

In co-operation with International SOS Assistance, *Ūkio bankas*’ MasterCard Gold and MasterCard Business cardholders are insured against accidents and other unexpected expenses during travels abroad.

Co-operation with SBS World Service was continued in 2003, completing the implementation of the Royal cards project aimed at introducing a particularly high-level of payment card services.

INFORMATION TECHNOLOGIES

In 2003, the Bank’s information system was further improved and expanded, and the internal accounting systems were updated. Information systems which were installed for the main operations, salaries and personnel accounting helped manage the Bank more effectively. Active work was done to ensure the security and uninterrupted functioning of the information systems. A large part of the Bank’s computer equipment was updated. Additional computer network reservation means were installed which help avoid interruptions in the functioning of the system in the event of failures of individual network installations or communication lines.

In 2003, new products of the Bank’s information system “Forpost” were introduced and improvements were made in the already existing products. New system modules were installed – factoring, securities accounting, special provisions, asset accounting and other.

Last year, the Bank introduced an original document management and employee information system, “Infosrautas”, developed specifically for the Bank. This system laid the groundwork for creating contemporary information management and a mechanism for optimal decision-making. It ensures effective horizontal and vertical communication inside the Bank and enables more reliable protection and control of the Bank’s written information. Significant changes in the quality of the Bank’s management were achieved through the introduction of this system, thus improving the quality of the Bank’s client services.

INTERNET BANKING

Ūkio bankas was among the first to introduce a system of internet services and continues to expand the capacity of the internet banking system “Eta bankas”. New functions installed in 2003: ability to make utility service and other payments, an improved module of communication with other

business systems, and updated system administration instruments. In order to improve its speed and reliability, the technical base of the system was entirely replaced in 2003.

In comparison with 2002, twice as many cash orders were made through the "Eta bankas" system last year. The number of "Eta bankas" clients doubled during the year, with about 30% of "Eta bankas" users being business clients.

INTERNATIONAL PAYMENTS

In 2003, *Ūkio bankas* expanded co-operation with Lithuanian and foreign banks, establishing more and more correspondent ties. By the end of the year the number of correspondent banks had reached 350. *Ūkio bankas* had Nostro correspondent accounts in more than 100 banks in 25 countries and the number of Loro accounts grew to 54.

The wide network of correspondent banks allowed for the effective performance of Bank clients conducting international transactions. The number of international transfers made by the Bank increased by 30% in 2003, and revenues received from international transfers increased by 10%.



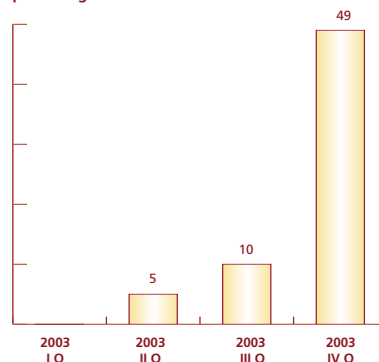
Ūkio bankas performs international transactions through the largest and the most trustworthy world banks – Citibank N.A, Deutsche Bank Trust Company Americas, Wachovia Bank N.A., Commerzbank AG, Dresdner Bank AG, Deutsche Bank AG, Vereins- und Westbank AG, Nordea bank group, UBS AG, Barclays Bank PLC, Fortis Bank, Sbergatelnjy Bank Rossijskoj Federacii and many others.

The Bank is constantly analysing the reliability of correspondent banks, the tariffs and the comprehensiveness of the services offered. The safety of the funds in correspondent accounts is ensured through regular analysis of the financial situation of the correspondent banks.

Ūkio bankas' private clients continued taking advantage of the service of express cash transfer through the CONTACT correspondent network. The continuously expanding CONTACT network currently connects about 150 financial institutions. The network of branches of these institutions allow to perform transfers in US dollars and Euros in 71 countries.

In comparison to 2002, in 2003 the number of transfers through the CONTACT correspondent network increased 16%; with 2.7% more cash being transferred. The end of the year saw a particularly fast rise in the number of cash transfers through this system.

Changes in the number of cash transfers through the CONTACT Correspondent Network (In Comparison with the 2002 Average), percentage



In 2003, *Ūkio bankas* significantly expanded intermediation services in purchasing and selling international bills of exchange. *Ūkio bankas'* clients actively used documentary transaction services, check deposits, bank drafts, as well as the purchase and sale of travellers cheques.

LIST OF MAIN CORRESPONDENT BANKS

Currency	Bank	Country	SWIFT Code
BYR	Priorbank	Belarus	PJCBBY2X
CAD	Bank of Montreal	Canada	BOFMCAM2
CHF	UBS AG	Switzerland	UBSWCHZH
CZK	Ceskoslovenska Obchodni Banka, A.S.	the Czech Republic	CEKOCZPP
DKK	Danske Bank A/S	Denmark	DABADKKK
DKK	Nordea Bank Denmark A/S	Denmark	NDEADKKK
EEK	AS Hansapank	Estonia	HABAE2X
EUR	Bank Austria Creditanstalt AG	Austria	BKAUATWW
EUR	Fortis Bank S.A./N.V.	Belgium	GEBABEBB
EUR	Nordea Bank Finland PLC	Finland	NDEAFIHH
EUR	Dresdner Bank AG	Germany	DRESDEFF
EUR	DZ Bank AG	Germany	GENODEFF
EUR	Deutsche Bank AG	Germany	DEUTDEFF
EUR	Vereins- und Westbank	Germany	VUWBDEHH
EUR	Ost-West Handelsbank AG	Germany	OWHBDEFF
EUR	Commerzbank AG	Germany	COBADEFF
EUR	Banca Intesa SpA	Italy	BCITITMM
GBP	Barclays Bank PLC	Great Britain	BARCGB22
JPY	Bank of Tokyo Mitsubishi, Ltd.	Japan	BOTKJPJT
KZT	Kazkommertsbank	Kazakhstan	KZKOKZKX
MULTI	Rietumu Bank	Latvia	RTMBLV2X
MULTI	Vilniaus Bankas, AB	Lithuania	CBVILT2X
NOK	DnB NOR Bank ASA	Norway	DNBANOKK
PLN	Kredyt Bank S.A.	Poland	KRDBPLPW
RUB	International Moscow Bank	Russia	IMBKRUUM
RUB	Sberbank (Moscow)	Russia	SABRRUUM
SEK	Swedbank	Sweden	SWEDSESS
UAH	Privatbank	Ukraine	PBANUA2X
USD	Citibank N.A.	USA	CITIUS33
USD	Deutsche Bank Trust Company Americas	USA	BKTRUS33
USD	Wachovia Bank, NA	USA	PNBPUS3NNYC

Membership in Lithuanian and International Organisations

Association of Lithuanian Banks

The main goal of the Association is strengthening banking and increasing its prestige in Lithuania and abroad. The Association supports scientific research, studies, education and courses in banking in Lithuania and abroad, the preparation of banking training programmes, as well as the drafting and analysis of banking legislation and legal acts.

The Association represents and defends the interests of its members in the governing and administrative bodies of state and other institutions; submits proposals to the Bank of Lithuania regarding legislation within its competence, and to the Government regarding documents adopted by the Government related to banking; establishes and maintains relations with international financial organisations, foreign banks and their associations.

www.lba.lt

Kaunas Chamber of Commerce, Industry and Crafts

The Kaunas Chamber of Commerce, Industry and Crafts was established in 1991. The Chamber aims to represent and defend members' legitimate interests in the Lithuanian Seimas and Government, national councils and commissions, promote the development of all lawful businesses and branches of the economy in the Kaunas region, improve the business environment, and provide services that boost business. *Ūkio bankas* has been a member of the Chamber since 1995.

www.chamber.lt

Lithuanian Confederation of Industrialists

The Lithuanian Confederation of Industrialists represents and protects the interests of its members at governmental, social and international organisations, strengthens the Lithuanian economy, helps companies find new markets and protects the social and legal interests of Lithuanian employers.

www.lpk.lt

Lithuanian Banking, Insurance and Finance Institute

The Lithuanian Banking, Insurance and Finance Institute (LBDFI) is a non-profit organisation which was registered on 6 December 6 1996. The Institute was established on the foundation of the Teaching Centre of the Lithuanian Association of Commercial Banks, which has been successfully functioning and providing professional teaching services to bankers and financial market experts since 1994.

www.lbdfi.lt

Knowledge Economy Forum

Ūkio bankas has participated in the activities of the Knowledge Economy Forum since its establishment in 2000. The association unites the most successful Lithuanian companies, their heads, scientists who are working in the areas of biotechnologies, pharmaceuticals, information technologies, telecommunications and lasers, and politicians.

The mission of the forum is to promote the country's knowledge economy, based on the development and introduction of scientifically receptive innovations and technologies.

www.zef.lt

National Association of Financial Brokers of Lithuania

The association takes an active part in improving the legal environment of the securities market and the systems of trading, accounting and settlements, actively co-operates with the Securities Commission, the National Stock Exchange and the Central Securities Depository of Lithuania as well as governmental bodies.

www.lfma.lt

National Stock Exchange

Ūkio bankas is a member of the National Stock Exchange and participates in trading. Following the decision of the board of the Stock Exchange, the list of Stock Exchange members includes only those financial brokerage companies or commercial banks whose licences do not limit their right to provide investment services.

www.nse.lt



Brussels International Banking Club

In 2003, *Ūkio bankas* became the first and, to date, the only bank in the Baltic countries to become a full member of the Brussels International Banking Club.

The Brussels International Banking Club (BIBC) was established in Brussels in November 1996 after a partnership and co-operation agreement between the European Union, Russia and other CIS countries was signed and came into effect. The club is a non-profit international association. Its status was approved by the Belgian Royal Decree of 6 July 1997. One of the main goals of the club is to promote and support co-operation between banks, investment companies and financial institutions in the EU and CIS countries.

www.bibclub.org

Association of the Baltic States and Kazakhstan "Kazbalt"

The information, trade and industry association "Kazbalt" was established on the initiative of businessmen and the Embassy of the Republic of Kazakhstan in February 2000. The association focuses its activities in developing co-operation between companies, organisations and businessmen in the Baltic states and Kazakhstan and their participation in international non-governmental and public organisations, co-ordinating relations with state institutions, participating in governmental and international expert training programmes, and providing information services about industrial and commercial activities as well as economic and scientific-technological achievements.

www.kazbalt.lt

S.W.I.F.T. Association

Ūkio bankas is a member of the S.W.I.F.T. association.

The Society for Worldwide Interbank Financial Telecommunication was established by 239 banks from 15 countries of the world in 1973 in order to automate financial data transfers. The computer data transfer system created by SWIFT ensures a more reliable and standard process of notification. The speed of the data transfer through the SWIFT

system allows for immediate processing of millions of international transfers. Unified notifications can easily be automatically processed by the computer systems of international clearing banks and data may be efficiently transferred according to the paying bank's instructions. Currently, about 7500 organisations from 200 countries are using SWIFT services.

www.swift.com

MasterCard International Incorporated

As of the year 2000, *Ūkio bankas* is a full-fledged member of MasterCard International Incorporated, entitled to issue international MasterCard credit and debit cards, Maestro cards, and Cirrus cards for ATM cash withdrawals, as well to provide full service to these cards in its POS and ATM network.

www.mastercard.com

American Express

Ūkio bankas is an officially authorised issuer of American Express Travellers Cheques and payment cards. Currently, the Bank issues USD and EUR American Express Travellers Cheques and American Express payment cards.

www.americanexpress.com

Thomas Cook

Ūkio bankas is an official agent of Thomas Cook Travellers Cheques which the Bank currently issues in USD.

www.thomascook.com

CONTACT

Ūkio bankas is a member of the international CONTACT correspondent network. The CONTACT correspondent network connects more than 140 financial institutions. The network of branches of these institutions enables cash transactions to be performed in 71 countries.

www.contact-sys.com

Sponsorship

As an active participant in the financial market, in 2003 *Ūkio bankas* continued the sponsorship strategy launched in previous years. Most funds were directed to children's activity projects, cultural and art projects as well as to supporting athletics.

Support for children

On 1 June 2004, – International Children's Protection Day, – *Ūkio bankas* sponsored the "Dainų tiltas" festival organised by the UNICEF Lithuanian National Committee, the Lithuanian Centre for Folk Culture and the Lithuanian Union of Choruses. During the festival, various events took place in the country's largest cities and funds were accumulated for the support of children's activity programmes.

Ūkio bankas provided awards to the winners of the schoolchildren's contests of drawing, writing essays and having the best idea on "The Panevėžys I Would Like to See in 20 Years", organised by the Panevėžys municipality. The Bank also awarded the laureates of Kėdainiai "Šviesiosios" High School's contest on Lithuania's banking history and bank activities.

On Christmas Eve, in support of the charity action organised by the Kaunas municipality, *Ūkio bankas* awarded yearly stipends for the city's gifted children to develop their artistic talents.

Cultural and art projects

In the spring of 2003, *Ūkio bankas* became the benefactor of the National Academic Drama Theatre of Kaunas. In sponsoring the theatre, *Ūkio bankas*, which is headquartered in Kaunas, is seeking to make a contribution to nurturing the city's cultural life and creating lasting traditions. Through the co-operation of the Bank and the drama theatre, the Society of Theatre Lovers was established in Kaunas in autumn.

Continuing its co-operation with the National Opera and Ballet Theatre, *Ūkio bankas* sponsored the second appearance in Lithuania of a famous ballet of the Russian choreographer Boris Eifman. After sponsoring Eifman's ballet "Red Giselle" in 2001, the Bank granted funding for the presentation of his ballet "Russian Hamlet" on the Lithuanian stage.

Sports

Ūkio bankas has made a significant contribution to the development of football both in the Kaunas region, and throughout Lithuania. Last year, close co-operation with the Kaunas Region Football Support Fund was continued by providing support for Kaunas football teams, young athletes and children's training and activity programmes as well as programmes for the selection and training of promising football players.

The Bank also contributes to the promotion of motor sports in Lithuania. In 2003, support was again rendered to the motor rally Kaunas Autumn 2003, organised by the Kaunas Automobile Association in memory of Kastytis and Arvydas Girdauskai. Last year was the thirtieth annual rally. For thirteen consecutive years, the Bank, together with the Automobile Association, has organised an original contest called "The Slope" which entails rolling automobiles down a hill.

Leasing Services

Ūkio banko lizingas

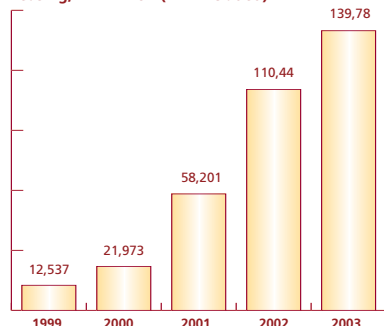
Rapid growth in its leasing portfolio and new contracts enabled *Ūkio bankas'* subsidiary company *UAB Ūkio banko lizingas* to remain one of the leaders in small leasing in 2003. The company gets about 25-30% of all transactions made in Lithuania's small leasing market.

Improvement in the results of *Ūkio banko lizingas'* activities was also determined by the company's flexibility, an expanded circle of partners, a variety of new services and an efficient system for making contracts, wherein a contract can be concluded in just a few minutes at the point of sale.

The total amount of newly signed contracts by *Ūkio bankas'* subsidiary *Ūkio banko lizingas* increased by 27% to LTL 140 million in 2003. The sum financed by the company amounted to LTL 118.36 million. The number of new contracts grew by 32% to LTL 82.3 thousand during the year.

At the end of 2003, the portfolio of *Ūkio banko lizingas* increased to LTL 81.1 million, or 42% more than at the end of 2002. The company earned a net profit of LTL 1.28 million in 2003.

Changes in Value of Property Sold Through Leasing, LTL million (VAT included)

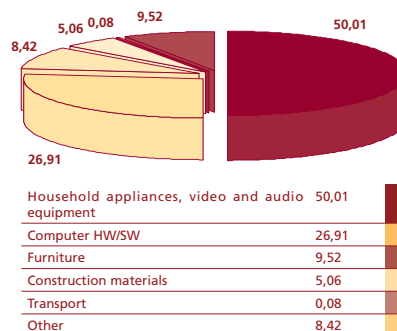


The successful results of *Ūkio banko lizingas* were determined by the spectacular expansion of the network of shops (up to 1000 points of sale) where goods may be purchased by making lease contracts with *Ūkio banko lizingas*. The company intends to further expand its circle of partners in 2004.

The largest part of *Ūkio banko lizingas'* leasing portfolio consists of household furnishings and

audio/visual equipment. This equipment made up half of the value of all property sold through leasing by the company at the end of 2003. Computer equipment made up 27% of the value of the whole leasing portfolio.

Distribution of the value of leased assets by commodity groups, per cent



Ūkio banko lizingas has introduced a loyalty programme to its regular clients. The interest rate will be reduced by 10% for clients who have purchased goods with a loan from *Ūkio banko lizingas* and duly made their payments.

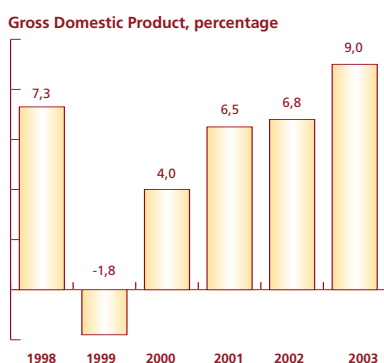
Lithuania's Macroeconomic Overview



This overview has been prepared by the Lithuanian Free Market Institute. The Lithuanian Free Market Institute is an independent, non-profit organisation established in 1990 to advance the ideas of individual freedoms and responsibilities, free market and limited government.

Growth of the Economy

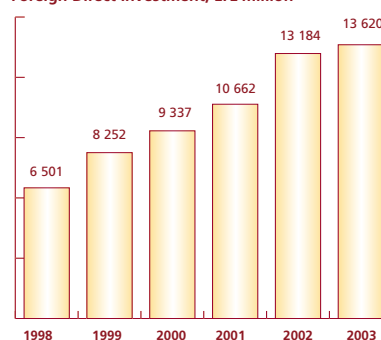
The growth of the Lithuanian economy was accelerating in 2003. According to the Department of Statistics, the Gross Domestic Product (GDP) in 2003 was LTL 55.737 billion, calculated on the basis of effective prices. In comparison with 2002, the GDP increased by 9.4%. Per capita GDP was LTL 16 136. More value-added was created in almost all areas of economic activity, and the fastest growth occurred in sectors related to production and consumption – industry, construction, and trade. The volume of construction grew by 16%, in comparison with 12.8% in 2002. One of the decisive factors determining the growth of investment and household consumption was the rapid growth in borrowing. Consumption grew by 8.6% and investment by 13.9%.



After the upsurge in foreign direct investment (FDI) in Lithuania in 2002 (23.7%), the FDI flows decreased in 2003. The FDI accumulated on December 31 amounted to LTL 13.7 billion (an annual growth of 4.2%), with a per capita FDI of LTL 4000.

Most investments were made in manufacturing (31% of all FDI), trade (17.9%), transport and communication services (17%), and financial intermediation companies (15.7%). In the manufacturing sector, most was invested in the manufacturing of foodstuffs, soft drinks and tobacco. Most funds were invested by investors from Denmark (17.3% of all FDI), Sweden (14.7%), Germany (9.7%), the USA (8.5%) and Finland (8.6%). Investments from EU Member States comprised 63% of FDI, and from EU Candidate Countries 13.8% of investment.

Foreign Direct Investment, LTL million



National Debt

According to the Ministry of Finance, the National debt decreased by LTL 24.2 million in 2003 and at the end of the year amounted to LTL 13.137 billion, or 23.95% of the forecasted GDP (according to the Maastricht criterion the National debt may not exceed 60%). Direct National liabilities grew by LTL 321.3 million to LTL 11.688 billion (89% of the debt), and indirect liabilities shrank by LTL 345.5 million to LTL 1.450 billion (11%).

According to the Ministry of Finance, the National debt for domestic and foreign Government Securities (GS) was LTL 9.4 billion in 2003. The relative value of longer-term GS continued increasing in 2003. Emissions of 1 and 3 month GS were discontinued in 2002, while 10 year Treasury bonds were issued for the first time in March 2002. Treasury bills (GS with a term of up to one year) comprised about 6% of all GS in 2003, in comparison with 20% and 30% in 2002 and 2001 respectively. Treasury bonds with a 3 year term made up 11% of the total circulation of GS; Treasury bonds of 5 and 10 years (in LTL and in Euro) comprised, respectively, 31% and 33% in 2003. The government discontinued issuing saving notes. The interest rates of saving notes were higher than the interest for similar fixed-term deposits in banks.

The country's stable financial situation, good macroeconomic indicators, falling interest rates in world markets, large demand for safe securities and improved borrowing ratings for Lithuania further reduced the profitability rate of GS issues in LTL.



The average profitability of GS at auctions dropped from 4.57% in 2002 to 3.69% in 2003.

Upon assessing Lithuania's strong macroeconomic situation and the stability of the financial system, international rating agencies increased the country's borrowing ratings. In December 2003, Moody's gave A3 rating with positive prospects for Lithuania's long-term borrowing in foreign currency, as well as A3 in national currency. This was the first time that Lithuania received a rating in the higher investment group. Correspondingly, Standard&Poor's in July and Fitch in November gave A- (neutral prospects) and BBB+ (positive prospects) for long-term borrowing in foreign currency and A- for long-term borrowing in national currency.

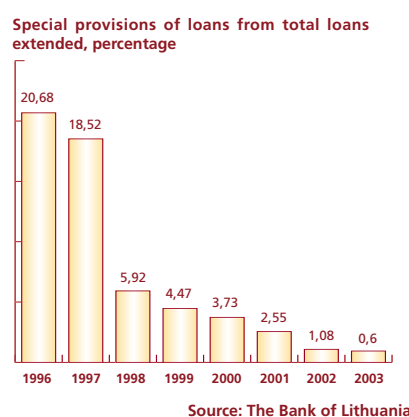
Banking Sector

The last few years have been marked by the rapid development of the commercial banking sector – the assets of the banks are growing, loan portfolios are expanding and all banks and foreign bank branches are staying within the risk limit rates. Ten commercial banks and 3 foreign bank branches were operating in Lithuania at the end of 2003. The country's banks are controlled by foreign investors who own about 88% of their share capital. Scandinavian investors dominate the capital of Lithuanian banks.

The total audited profit of all functioning commercial banks in 2003 was LTL 233.7 million. This is 59.2% more than in 2002 when total bank profit was LTL 146.8 million. This was the best year for banks since the re-establishment of Independence. According to the Bank of Lithuania, the assets of commercial banks grew by LTL1.9 billion, or 12.2%, in 2003, and comprised LTL 17.2 billion.

The loan portfolio of commercial banks continued its rapid increase in 2003. According to the Bank of Lithuania, in 2003, commercial banks extended loans for LTL 13.5 billion, or 52% more than in the same period in 2002. There was also a large growth in the volumes of loans taken by private clients. At the end of 2003, LTL 2.4 billion in loans had been granted to individual clients, or twice as much as in 2002. At the end of 2003, private companies had received loans for LTL 8.5 billion, or 50% more than in 2002.

In improving loan conditions, banks are risking attraction of less reliable loan recipients. On the other hand, this danger is not significant as the quality of the loan portfolio of banks is constantly improving.



The share of long-term loans in the bank loan portfolio is growing. In mid-2003, they comprised 76.5% of all loans. Growth in long-term loans signifies a greater loan risk, since the condition of the country's economy, individual economic sector or particular economic agents could deteriorate.

The growth of loan portfolios in the system of functioning banks was caused by Lithuania's strong economic growth, the decline in global interest rates and the high rate of liquidity of the Lithuanian banking system. The 2002 the average interest rate for 6-12 month loans was 6.8%, and 7.2% for 1-5 year loans. At the end of 2003, the average interest rate for 6-12 month loans disbursed in Litas was 6.47%, and 5.92% for loans in Euros, while the 1-5 year interest rate was 6.19% on loans disbursed in Litas and 4.34% on loans in Euros.

According to the Bank of Lithuania, the deposit portfolio of commercial banks grew 26% during 2003 and comprised LTL 17 billion. The growth of deposits was to a large extent caused by the growth in current account deposits of individuals and companies. In 2003 they grew by 28% and 22% to LTL 3.4 and LTL 3 billion respectively. Moreover, due to the positive financial results of companies, there was an increase in company fixed-term deposits as they grew 22% to LTL 1 billion in 2003,

whereas individual fixed-term deposits in commercial banks grew by around 6.1% and comprised LTL 4.4 billion at the end of 2003. The slower growth was conditioned by the decline in the interest rates on deposits, increased consumption and the fall in the USD exchange rate.

The concentration of the Lithuanian banking system was further reduced in 2003. According to the Bank of Lithuania, the share of assets controlled by the three largest banks decreased from 75.5% to 72.8% in comparison to the previous year. The share of other commercial banks in the market increased from 16.5% to 19.4%. With regard to systemic risk, the decreasing concentration in the banking sector is a favourable tendency as the negative impact on the financial market would be less if one of the larger banks were to encounter financial difficulties.

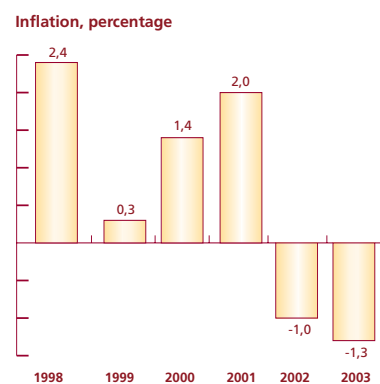
Foreign Trade

The growth in Lithuanian foreign trade slowed down in 2003. According to the Department of Statistics, Lithuanian exports grew by 9.1% in 2003, in comparison with 10.6% in 2002, while imports grew 6% compared with 11% in 2002. Since exports grew faster than imports, the foreign trade deficit decreased from LTL 8.3 billion in 2002 to LTL 8.1 billion in 2003. The growth rates of both exports and imports slowed down as a result of a decline in automobile exports and imports. Other factors include the appreciation of Litas against the US dollar and sluggish expansion of the major export markets. After a jump in the previous two years, the import of investment goods was somewhat slower last year as growth was 14%, and the share of investment goods from all imports increased from 18.6% in 2002 to 19.9% in 2003. Growth in exports was primarily determined by the export growth of mineral products and furniture (each at almost 13%), and import growth was driven by the imports of machines and mechanical equipment (about 12%) and products from the chemical industry (about 5%).

In 2003, most goods were exported to EU Member States – 42%, and to the Candidate Countries – 19.3%, of total Lithuanian exports. In comparison with 2002, exports to the Candidate Countries increased by 8.9%, and decreased by 5.2% to Member States.

Prices of Consumer Goods and Services

According to the Department of statistics, the common consumer goods and services price index dropped for the second consecutive year and was 1.3% at the end of 2003, while average annual inflation was 1.2%. Average annual deflation was officially recorded for the first time last year. According to official data, the level of annual deflation was determined by a 12.2% drop in the prices of communications goods and services and by a 1.9% drop in foodstuffs and soft drinks. The prices of alcohol and tobacco (3.7%) and health care goods and services (3.8%) had the most significant increases in 2003.



The decline in prices in 2003 was mostly caused by accelerating competition in the domestic market boosted by an increase in domestic supply resulting from the slow down in the export markets as well as the continuous depreciation of the US dollar, which made goods and raw materials imported in dollars cheaper. Competition among foreign goods forced a reduction in prices of Lithuanian goods and services as well. Growth in labour productivity also had an impact on prices. Moreover, the overall level of prices was reduced by the preferential 5% VAT for fresh frozen meat and poultry which came into effect at the beginning of 2003, reduced natural gas as well as telecommunications prices. On the other hand, rising household income and consumption, as well as further harmonisation of excise tariffs with the minimal EU norms (at the beginning of 2003

the participation of Lithuanian representatives. Currently, a lot of regulative standards are on the EU's agenda which will introduce more stringent requirements on the quality of various products (e.g. chemical products) and its control, the provision of services (e.g. transport) and environmental protection (e.g. pollution tax). Their implementation may significantly increase the costs of Lithuanian companies and reduce their competitiveness in the EU market.

Dispersion of the integration process over time means that few things will change when Lithuania becomes an EU Member State in May 2004. The last remaining customs (still imposed only on some agricultural products) and non-tariff restrictions on trade with the EU will be removed, and customs for Russia, the USA, Japan and other non-EU countries will be harmonised. The changes that will take place on the day of accession will be most significant for those who are still protected from competition with other EU countries (including the new Members States, e.g. Poland) and those who purchase raw materials from third countries (Russia, the USA, Ukraine, Japan and others). The EU is a customs union, meaning that restrictions to inside trade should not apply, that is, trade conditions in the entire EU must be the same as in Lithuania. On the other hand, the EU applies unified rules for trade with third countries such as common external customs and other trade protection instruments (e.g. antidumping customs for companies in third countries) and common trade agreements with other countries. Upon accession to the EU, Lithuania will remove barriers to trade with the EU thereby harmonising its import duties and other foreign trade instruments against non-EU countries. If customs duties are increased, this will probably determine an increase in the prices of these products and have important consequences for companies and consumers that use these products. The overall increase in the level of import duties will be insignificant, and with regard to some products (e.g. imported fuel) customs duties may even decrease. Moreover, there will no longer be any restrictions on products imported from other EU countries. However, there may be a substantial increase in import duties on some products imported from third countries (especially on "sensitive" ones, such as agricultural and steel products that are produced in EU countries

and have well-organised producers who exert strong influence on politicians).

In giving an overall assessment of the impact of integration on the business environment in Lithuania, several important benefits to our country's business may be distinguished. The most important benefit to Lithuanian companies will be the increased demand for their products and services. Demand will grow for several reasons. First, commercial conditions will improve as a result of the final removal of trade barriers with EU countries. The removal of customs procedures and other administrative barriers will facilitate the export of Lithuanian products. The most significant positive impact will be felt by Lithuanian companies that are already exporting or intend to export to EU countries and whose products conform to EU quality, manufacturing or service provision standards.

Second, the demand for products sold in Lithuania will increase due to the growth of the Lithuanian economy and the purchasing power of the people. Most studies forecast that EU membership will have a positive impact on the Lithuanian economy, which is already growing fast. This means that EU membership, other things being equal, should give an additional boost to the country's economic growth. As people's income increases, purchasing power will also increase in Lithuania.

Finally, EU assistance might also increase demand for some goods and services. During the first three years of membership in the EU, almost one billion Litas could reach Lithuania from the EU budget. While one third of assistance will go to agriculture, a large share will be directed to infrastructural and environmental projects, increasing the demand for products and services related to these activities (e.g. for agricultural equipment, fertilisers and business consulting). Assistance funds are awarded to businesses for resolving particular problems such as training employees, upgrading equipment and marketing, but not for supporting businesses. Therefore, Lithuanian companies that are not directly related to the supported areas should keep this in mind and adjust their expectations accordingly, simultaneously assessing the resources needed for assimilation.

Financial Statements 2003

INDEPENDENT AUDITORS' REPORT

To the shareholders of AB *Ūkio bankas*:

We have audited the accompanying consolidated balance sheets of AB *Ūkio bankas* (the "Bank") and subsidiaries (the "Group") and the separate balance sheets of AB *Ūkio bankas* as of 31 December 2003 and 2002, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Lithuanian National and International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Bank as of 31 December 2003 and 2002, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

1 March 2004
UAB Deloitte & Touche



Torben Pedersen
Partner



Certified auditor Lina Drakšienė
Auditor's Certificate No. 000062

STATEMENT OF INCOME

For the year ended 31 December 2003

LTL thousand

No.	Item	Notes	2003		2002	
			The Bank	The Group	The Bank	The Group
1.	Interest income		15,725	26,614	15,039	19,570
1.1.	on loans to credit and financial institutions and placements with credit institutions		5,000	1,838	6,021	4,215
1.2.	on other loans		9,222	9,234	8,082	8,082
1.3.	on subordinated loans		-	-	-	-
1.4.	on debt securities acquired		1,503	1,503	936	936
1.5.	interest on finance lease		-	14,039	-	6,337
1.6.	other interest and similar income	20	-	-	-	-
2.	Interest expenses		12,217	12,608	11,758	11,833
2.1.	on liabilities to credit and financial institutions and amounts due to financial institutions		558	949	610	655
2.2.	on deposits and other repayable funds		11,365	11,365	11,053	11,053
2.3.	on subordinated loans		-	-	51	51
2.4.	on debt securities issued		294	294	44	44
2.5.	other interest expense	20	-	-	-	30
3.	Net interest income (1-2)		3,508	14,006	3,281	7,737
4.	(Reversal of provision) / Provision expense		(3,063)	(3,063)	(2,833)	(2,833)
4.1.	specific provisions for loans and accrued interest	33	(916)	(916)	925	925
4.2.	specific provisions for executed guarantees	33	62	62	-	-
4.3.	specific provisions for the loan portfolio	33	792	792	(3,000)	(3,000)
4.4.	adjustments of expenses incurred due to the recovery of the previously written-off loans		(3,001)	(3,001)	(758)	(758)
5.	Net interest income after provisions (3-4)		6,571	17,069	6,114	10,570
6.	Service fees and commission income		18,473	15,816	18,834	18,946
7.	Service fees and commission expense		3,907	4,228	2,701	2,368
8.	Net interest, service fees and commission income (5+6-7)		21,137	28,657	22,247	27,148
9.	Gain (loss) from equity securities		1,501	18	314	13
9.1.	gain (loss) from investments accounted under equity method		1,483	-	301	-
10.	Realized profit (loss)		18,382	18,990	10,146	10,146
10.1.	from operations with foreign currency		7,092	7,700	5,654	5,654
10.2.	from operations with debt securities		(702)	(702)	-	-
10.3.	from operations with ownership securities		519	519	4,492	4,492
10.4.	from operations with other financial instruments		11,473	11,473	-	-
11.	Unrealized profit (loss)		(11,201)	(11,631)	1,444	1,376
11.1.	from operations with foreign currency		(13,006)	(14,037)	(3,599)	(3,667)
11.2.	from operations with debt securities		1	1	(7)	(7)
11.3.	from operations with ownership securities		214	630	5,050	5,050
11.4.	from operations with other financial instruments		1,590	1,775	-	-
12.	Income from operations (8+9+10+11)		29,819	36,034	34,151	38,683
13.	Other banking income	34	2,494	3,135	5,209	6,818
14.	Operating expenses		19,549	23,576	19,635	23,385
14.1.	salaries, social security and other related expense	28	12,040	13,406	13,203	14,203
14.2.	training and business trip expense		579	997	541	569
14.3.	rent and premises maintenance expense		2,545	2,932	1,818	2,879
14.4.	transportation and communication expense		1,468	1,919	1,315	1,572
14.5.	advertising and marketing expense		1,042	1,724	1,030	1,728
14.6.	other administrative expense		1,875	2,598	1,728	2,434
15.	Other banking expense	35	7,979	9,546	7,852	8,726
16.	Depreciation and amortisation expense		2,297	3,108	2,609	3,568
17.	Other specific provisions		(2,436)	(1,997)	3,108	3,666
17.1.	provision for doubtful assets	11, 33	(2,704)	(2,265)	3,108	3,666
17.2.	provisions for off balance sheet items	12, 33	268	268	-	-
18.	Operating result (12+13-14-15-16-17)		4,924	4,936	6,156	6,156
19.	Extraordinary gain	38	-	-	-	-
20.	Net income before income tax (18+19)		4,924	4,936	6,156	6,156
21.	Income tax	32	-	12	-	-
22.	Deferred taxes	32	-	-	-	-
23.	Minority interest		-	-	-	-
24.	Net result for the year		4,924	4,924	6,156	6,156
25.	Basic Earnings per Share (in LTL)		0.63	0.63	0.93	0.93

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 1 March 2004 and signed on its behalf by:

March 1, 2004

Chairwoman of the board
Edita Karpavičienė



Chief accountant
Vidutė Petraitiienė



BALANCE SHEET

As of 31 December 2003

LTL thousand

No.	Item	Notes	2003		2002	
			The Bank	The Group	The Bank	The Group
ASSETS						
1.	Cash, precious metals and other valuables		13,063	13,065	10,150	10,153
2.	Placements with central banks	2	47,527	47,527	40,708	40,708
3.	Due from banks and other credit and financial institutions	3	429,028	352,572	271,990	221,825
3.1.	deposits		337,118	337,142	212,590	212,668
3.2.	repurchase agreements		-	-	-	-
3.3.	loans		91,910	15,430	59,400	9,157
4.	Short-term treasury bills	8	22,780	22,780	6,964	6,964
5.	Loans to customers	4, 5	172,862	174,662	85,364	85,364
6.	Financial lease receivables	6	-	77,415	-	56,224
7.	Government securities for restructuring of banks		-	-	-	-
8.	Debt securities	8	9,806	9,806	21,453	21,453
9.	Financial claims under derivative agreements		5,563	5,563	321	321
10.	Equity investments	7	25,303	26,537	16,206	14,966
10.1.	Investments accounted for under the equity method		2,822	-	1,240	-
11.	Intangible assets (less depreciation)	9	2,304	2,362	924	1,012
12.	Tangible fixed assets (less depreciation)	10	211,232	221,065	229,686	232,838
12.1.	buildings and other real estate		206,151	215,036	224,736	226,747
12.2.	vehicles		789	1,286	903	1,663
12.3.	office equipment, etc.		4,292	4,743	4,047	4,428
13.	Accrued income and deferred expenses	11	2,803	4,220	993	1,821
14.	Other assets	11	12,775	27,654	17,177	24,905
15.	Trusted assets		-	-	-	-
16.	Total assets		955,046	985,228	701,936	718,554
LIABILITIES						
17.	Due to central banks		4,171	4,171	4,171	4,171
18.	Due to banks and other credit and financial institutions	13	298,463	317,706	120,187	122,852
18.1.	deposits		296,249	295,446	115,395	115,338
18.2.	repurchase agreements		-	-	-	-
18.3.	loans		2,214	22,260	4,792	7,514
19.	Deposits and letters of credit	14	522,510	522,510	476,973	476,973
20.	Commitments under derivative agreements		3,974	3,789	-	-
21.	Special and lending funds	15	573	573	-	-
22.	Debt securities issued	16	3,797	3,797	4,140	4,140
23.	Accrued expenses and deferred income		3,883	5,299	3,032	4,565
24.	Subordinated loans	17	-	-	-	-
25.	Other liabilities	17	8,744	18,452	5,426	17,846
27.	TOTAL LIABILITIES		846,115	876,297	613,929	630,547
SHAREHOLDERS' EQUITY						
30.	Capital and reserves		108,931	108,931	88,007	88,007
30.1.	registered share capital		106,708	106,708	90,708	90,708
30.2.	treasury shares		-	-	-	-
30.3.	share premium		-	-	-	-
30.4.	fixed assets revaluation reserve		-	-	-	-
30.5.	financial assets revaluation reserve		-	-	-	-
30.6.	accumulated deficit	18	(4,110)	(4,110)	(10,266)	(10,266)
30.7.	current year result	18	4,924	4,924	6,156	6,156
30.8.	other capital and reserves		1,409	1,409	1,409	1,409
30.9.	funds received by foreign bank branch from the head office		-	-	-	-
31.	Minority interest		-	-	-	-
32.	Total liabilities and shareholders equity and minority interest		955,046	985,228	701,936	718,554

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 1 March 2004 and signed on its behalf by:

March 1, 2004

Chairwoman of the board
Edita Karpavičienė



Chief accountant
Vidutė Petraitiienė



OFF BALANCE SHEET ITEMS

As of 31 December 2003

LTL thousand

No.	Item	Notes	2003		2002	
			The Bank	The Group	The Bank	The Group
OFF BALANCE SHEET ITEMS						
					-	
1.	Guarantees and warranties	36	19,189	19,141	5,276	5,075
2.	Commitments to issue letters of credit	36	1,196	1,196	-	-
3.	Irrevocable lending commitments	36	55,529	49,830	22,832	20,548
4.	Other commitment	36	107	107	133	-
5.	Financial derivatives		X	X	X	X
5.1.	currency purchase agreements (claims)	19	1,288,963	1,279,447	555,340	555,340
5.2.	currency sale agreements (liabilities)	19	1,287,374	1,277,674	555,019	555,019

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March 1, 2004

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Edita Karpavičienė



Chief accountant
Vidutė Petraitiienė



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2003

LTL thousand

No.	Item	2003		2002		Increase (+) or decrease (-)	
		The Bank	The Group	The Bank	The Group	The Bank	The Group
1.	Capital and reserves						
1.1.	registered share capital	106,708	106,708	90,708	90,708	16,000	16,000
1.2.	treasury shares	-	-	-	-	-	-
1.3.	share premium	-	-	-	-	-	-
1.4.	reserve capital	-	-	-	-	-	-
1.5.	accumulated deficit	(4,110)	(4,110)	(10,266)	(10,266)	6,156	6,156
1.6.	general provision for loan losses	-	-	-	-	-	-
1.7.	other general reserves	(591)	(591)	(591)	(591)	-	-
1.8.	fixed assets revaluation reserve	-	-	-	-	-	-
1.9.	financial asset revaluation reserve	-	-	-	-	-	-
1.10.	restricted (distributable) profit	2,000	2,000	2,000	2,000	-	-
1.11.	current year result	4,924	4,924	6,156	6,156	(1,232)	(1,232)
2.	Total shareholders equity	108,931	108,931	88,007	88,007	20,924	20,924

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 1 March 2004 and signed on its behalf by:

March 1, 2004

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Edita Karpavičienė



Chief accountant
Vidutė Petraitiienė



STATEMENT OF CASH FLOWS

For the year ended 31 December 2003

LTL thousand

Item	2003		2002	
	The Bank	The Group	The Bank	The Group
Cash flows from (to) banking activities:				
Interest income	13,819	24,526	14,658	18,798
Interest expenses	(11,075)	(11,455)	(11,978)	(11,904)
Recovery of loans previously written-off	4,118	4,118	5,053	5,053
Net income from operations with foreign currency	18,565	19,173	5,654	5,654
Net income from operations with securities	1,044	1,044	5,441	5,441
Net income for services and fees	14,566	11,588	17,227	17,672
Expenses associated with payment of salaries	(12,040)	(13,406)	(13,203)	(14,203)
Other income (expenses)	(12,994)	(16,499)	(10,169)	(12,184)
A. Result of activities	16,003	19,089	12,683	14,327
(Increase) decrease in short - term assets:				
(Increase) decrease in required reserves with central bank	(5,050)	(5,050)	(13,141)	(13,134)
(Increase) decrease in loans to credit and financial institutions	(156,409)	(130,118)	87,260	68,960
(Increase) decrease in granted loans	(83,398)	(85,198)	23,192	94,207
(Increase) decrease in securities	(15,430)	(15,430)	(4,725)	(3,521)
(Increase) decrease in other short-term assets	(4,490)	(33,678)	14,269	53,942
B. Changes in short-term assets	(264,777)	(269,474)	106,855	200,454
Increase (decrease) in liabilities:				
Increase (decrease) in liability to central bank	-	-	1,674	1,674
Increase (decrease) in liabilities to credit and financial institutions	178,276	194,854	(71,230)	(136,667)
Increase (decrease) in deposits and letters of credit	45,542	45,542	107,573	105,684
Increase (decrease) in other liabilities	7,228	5,072	(4,854)	(17,467)
C. Changes in liabilities	231,046	245,468	33,163	(46,776)
D. Net cash flows from bank activities before taxes (A+B+C)	(17,728)	(4,917)	152,701	168,005
Income tax	-	12	-	-
E. Net cash flows from bank activities after taxes (D-4)	(17,728)	(4,905)	152,701	168,005
Cash flows from (to) investing activities				
(Acquisition) sales of tangible fixed assets and intangible assets	1,910	(5,553)	(195,812)	(194,218)
(Investment) into securities and sales thereof	(100)	(4,056)	20,483	-
Dividends received	-	-	-	-
Income received	-	-	-	-
Cash flow from other investing activities	1,483	-	301	-
F. Net cash flow (to) investing activities	3,293	(9,609)	(175,028)	(194,218)
Cash flows from financing activities				
Paid in share capital	16,000	16,000	18,000	18,000
(purchase) of own securities	-	-	1,059	1,059
Dividends paid	-	-	-	-
Interest paid	-	-	-	-
Cash flow from other financial activities	-	-	-	-
G. Net cash flows from investing activities	16,000	16,000	19,059	19,059
Increase (decrease) in cash (E+F+G)	1,565	1,486	(3,268)	(7,154)
Cash as at 31 December of the current financial year	248,183	248,185	246,618	246,699
Cash as at 1 January of the current financial year	246,618	246,699	249,886	253,853

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 1 March 2004 and signed on its behalf by:

March 1, 2004

Chairwoman of the board
Edita Karpavičienė



Chief accountant
Vidutė Petraitiienė



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

NOTE 1

GENERAL INFORMATION

AB *Ūkio bankas* (the Bank) was established in June 1989 as Commercial Industry Bank. The Bank's main office is located in Kaunas, J.Gruodžio str. 9. The Bank has 12 branches and 13 divisions in Lithuania. The Bank accepts deposits from the public and makes loans, provides trade finance, transfer payments and exchanges currencies for its clients.

The main accounting policies used by the Bank and the Group are set out below:

Basis of Preparation

The financial statements have been prepared in accordance International Financial Reporting Standards (IFRS).

The accompanying financial statements are presented in the national currency of Lithuania, the Litas (LTL), since this is the currency in which the majority of the Group's transactions are denominated.

The principal accounting policies adopted are set out below.

Principles of Consolidation

At 31 December 2003 the Group financial statements include the accounts of the Bank and its fully owned subsidiaries UAB "Ūkio banko lizingas" and UAB "Optimalus turto valdymas".

Name	Activity	Country	Ownership share
UAB "Ūkio banko lizingas"	Finance lease	Kaunas, Lithuania	100 %
UAB "Optimalus turto valdymas"	Financial intermediation	Kaunas, Lithuania	100 %

At 31 December 2002 the financial statements include the accounts of the Bank and its fully owned subsidiary UAB "Ūkio banko lizingas".

All significant intercompany balances, transactions, unrealised surpluses and deficits on transactions between Group enterprises have been eliminated.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All significant intra-Group transactions, balances and unrealized gain and loss from intra-Group were eliminated. Accounting policies of the subsidiaries were altered in a way and so that they are consistent with the Group accounting policy.

In translating the financial statements of a foreign subsidiary for incorporation in the financial statements, the Group translates the assets and liabilities, both monetary and non-monetary, of the foreign subsidiary at the closing exchange rate. Income and expense items of the foreign subsidiary are translated at an average exchange rate for the period. All resulting exchange differences are classified as equity until the disposal of the investments.

Significant Accounting Policies

The principal accounting policies adopted are set out below:

(a) Interest Income and Expense, Fees and Commissions

Interest income and expense are accounted for on an accrual basis on interest earning assets and liabilities in accordance with agreements between lenders and borrowers. Income is not recognized on non-performing assets.

Income from financial leases is allocated based on a constant periodic rate of return.

Income from commission fees and other activities are recognized

at the date of related transaction.

(b) Tangible and Intangible Fixed Assets

Tangible fixed assets, except buildings, are recorded at cost, less accumulated depreciation. Depreciation is calculated starting from the month following the month the asset was brought into use. Depreciation is calculated on a straight-line basis over the estimated useful economic lives of assets. No depreciation is calculated for construction in progress.

Buildings are recorded at revalued amounts, their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity, sufficient assurance that the carrying amount does not differ materially from that which is determined using fair value at the balance sheet date. The fair value of the buildings is determined by appraisals undertaken by certified independent real estate appraisers. The depreciation of buildings is calculated on a straight-line basis over the estimated useful economic lives of assets.

The principal annual depreciation rates that have been applied are as follows:

	Years
Buildings	60-90
Vehicles	5-8
Office equipment	3-30
Computer hardware	4-6

Intangible fixed assets are recorded at cost, less accumulated amortization, which is calculated on a straight-line basis over the estimated useful economic lives of assets. Intangible assets are amortized over a period of one year.

(c) Investment Property

Investment property is the property, which is held to earn income from rentals and for capital appreciation. Investment property is initially measured at cost, after initial recognition, at cost less any accumulated depreciation and any accumulated impairment losses. Investment property is included within the tangible fixed assets and depreciated over the useful economic lives.

(d) Derivative Financial Instruments

Derivative financial instruments including foreign exchange contracts, forward exchange rate agreements and other derivative financial instruments are initially recognized in the balance sheet at cost (including transaction costs) and subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when fair their value is negative.

Changes in the fair value of derivatives held for trading are included in net income from trading securities and investments securities held for trading and available for sale.

(e) Trading Securities

Trading securities are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognized at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted bid prices. All related realized and unrealised gains and losses are included in income from trading securities and investments securities held for trading and available for sale. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in income from trading securities and investments securities held for trading and available for sale.

All purchases and sales of trading securities that require delivery

within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognized at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

(f) Sale and Repurchase Agreements and Lending Securities

Securities sold subject to a linked repurchase agreements ('repos') are retained in the financial statements as trading or investment securities and the counter party liability is included in amounts due to other banks, deposits from banks, other deposits, or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method. Securities lent to counter parties are also retained in the financial statements

(g) Investment Securities

Investment securities and purchased loans and receivables are categorised as follows:

- held-to-maturity assets;
- available-for-sale assets.

Investment securities and purchased loans and receivables with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities and purchased loans and receivables 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 are classified as available for sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities and purchased loans and receivables are initially recognized at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Fair values for unquoted equity instruments are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized as they arise in the income statement. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Held-to-maturity investments are carried at amortized cost using the effective yield method, less any provision for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned whilst holding investment securities is reported as interest income. Dividends received are included separately in income from trading securities and investments securities held for trading and available for sale when a dividend is declared.

All regular purchases and sales of investment securities are recognized at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recognized as derivative forward transactions until settlement.

(h) Originated Loans and Provisions for Loans Impairment

Loans originated by the Group by providing money directly to the

borrower or to a sub-participation agent at draw down are categorized as loans originated by the Group and are carried at amortized cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as transaction cost part of the cost of the transaction.

All loans and advances are recognized when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

In the case of loans to borrowers in countries where there is an increased risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and if needed, additional country risk provisions are established.

The loan loss provision also covers losses where there is objective evidence of probable losses on components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the bad and doubtful debt expense in the statement of income.

If the amount of the impairment subsequently decreases due to an event occurring after the write down, the release of the provision is credited to the bad and doubtful debt expense in the statement of income.

(i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor - When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

The Group as lessee - Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease

(j) Foreclosed Assets Held for Resale

Assets acquired through foreclosures are recorded at the estimated fair value at time of foreclosure, net of disposal cost. Write-downs from cost to fair value at the time of foreclosure are charged to the provision for losses. Subsequent adjustments to the fair value are charged to the provision for those foreclosed assets held for resale. Gains or losses recognized on the sale of such assets are included in the statement of income. Determinations of fair value are based on periodic appraisals, which are subject to significant fluctuations as economic conditions change.

(k) Taxation

The Bank records the corporate income tax related to the taxable profit computed in accordance with Lithuanian tax law. It is calculated using tax rates that have been enacted at the balance sheet date. Corporate income tax rate in Lithuania is 15%.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized.

Deferred tax assets and liabilities are offset when the Company intends to settle its current tax assets and liabilities on a net basis.

(l) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, balances with the Bank of Lithuania (except of the mandatory reserve) balances held in correspondent accounts of the Bank and short term deposits in correspondent banks.

(m) Accounting for Transactions in Foreign Currencies

Transactions denominated in foreign currency are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates.

Monetary assets and liabilities denominated in foreign currency are translated into LTL at the rate of exchange on the balance sheet date.

The applicable rates used for the principal currencies at the year-end were as follows:

	2003	2002
USD	2.7621	3.3114
EUR	3.4528	3.4528

All resulting gains and losses relating to cash are recorded in the statement of income as realised gain (loss) from foreign exchange operations in the period in which they arose.

Gains and losses on translation are credited or charged to the statement of income at the prevailing foreign exchange rate at period-end.

(n) Fair value of financial instruments

Fair value represents the amount at which an asset could be exchanged or liability settled on an arms length basis. Where, in the opinion of management, the fair value of financial assets and liabilities differs materially from their book value, such fair values are separately disclosed in the notes to the financial statements.

(o) Earnings per share

For the purpose of calculating earnings per share, the weighted average number of common shares outstanding during 2003 and 2002 was 7,803,748 and 6,635,126, respectively. The Group had no dilutive options outstanding during 2003 and 2002 and at 31 December 2003 and 2002.

Note 2

PLACEMENTS WITH CENTRAL BANKS

LTL thousand

	2003		2002	
	The Bank	The Group	The Bank	The Group
Correspondent accounts with central banks	-	-	581	581
Compulsory reserves	47,527	47,527	40,127	40,127
Total placements with central banks	47,527	47,527	40,708	40,708

The compulsory reserves are held with the Bank of Lithuania in the form of non-interest bearing deposits under the Bank of Lithuania's regulations. The compulsory reserves held with the Bank of Lithuania comprise the funds calculated on a monthly basis as 6% (8% before May 2002) share of the average balance of deposits of the month. Compulsory reserves in foreign currency are not available to finance the Bank's day-to-day operations.

Note 3

DUE FROM BANKS AND OTHER CREDIT AND FINANCIAL INSTITUTIONS

LTL thousand

	2003		2002	
	The Bank	The Group	The Bank	The Group
Due from banks and other credit and financial institutions	337,118	337,142	212,590	212,668
Funds on correspondent accounts	202,821	202,821	159,423	159,423
Deposits with banks and other credit and financial institutions	134,297	134,321	53,167	53,245
Repurchase agreements	-	-	-	-
Loans:	91,910	15,430	59,400	9,157
falling due within one year	15,430	15,430	397	397
falling due after one year	76,480	-	59,003	8,760
Total	429,028	352,572	271,990	221,825
Less: provisions for loans				
specific provisions	-	-	-	-
specific provisions for loan portfolio	-	-	-	-
Total provisions	-	-	-	-
Due from banks and other credit and financial institutions, net	429,028	352,572	271,990	221,825

Note 4

LOANS GRANTED

LTL thousand

	2003		2002	
	The Bank	The Group	The Bank	The Group
Loans to customers:				
falling due within one year	73,296	73,296	44,908	44,908
falling due after one year	84,981	84,981	32,830	32,830
Reverse repos	-	1,800	-	-
Factoring	16,596	16,596	12,414	12,414
Bills discounted	-	-	-	-
short-term bills discounted	-	-	-	-
long-term bills discounted	-	-	-	-
Total	174,873	176,673	90,152	90,152
Less: provisions for loans				
(specific provisions)	(1,219)	(1,219)	(4,788)	(4,788)
(specific provisions for loan portfolio)	(792)	(792)	-	-
Total provisions	(2,011)	(2,011)	(4,788)	(4,788)
Total loans to customers, net of provisions	172,862	174,662	85,364	85,364

LTL thousand

	2003		2002	
	The Bank	The Group	The Bank	The Group
Specific provisions at the beginning of the year	4,788	4,788	2,580	2,810
Increase in specific provisions:	-	-	-	-
due to increased risk	5,290	5,290	7,997	7,934
reclassified from other assets	-	-	2,305	2,305
due to changes in foreign exchange rates	2	2	9	9
Total increase in specific provisions	5,292	5,292	10,311	10,248
Decrease in specific provisions:	-	-	-	-
elimination of specific provisions of disposed subsidiary	-	-	-	(167)
due to decreased or eliminated risk	(7,921)	(7,921)	(7,086)	(7,086)
due to write off of loans	(121)	(121)	(873)	(873)
due to changes in foreign exchange rates	(27)	(27)	(144)	(144)
Total decrease in specific provisions	(8,069)	(8,069)	(8,103)	(8,270)
Specific provisions at the end of the year	2,011	2,011	4,788	4,788

LTL thousand

	2003		2002	
	The Bank	The Group	The Bank	The Group
Specific provisions for loan portfolio at the beginning of the year	-	-	3,000	4,810
Elimination of specific provisions of disposed subsidiary	-	-	-	(1,810)
Increase in specific provision	792	792	-	-
(Decrease) in specific provisions	-	-	(3,000)	(3,000)
Specific provisions for loan portfolio at the end of the year	792	792	-	-

Note 5

LOANS BY INDUSTRIES AND SECTORS

Bank's loans by industries and sectors:

LTL thousand

Loans by industry and sectors	2003			
	Short term loans	Long term loans	Total loans	Specific provisions
Loans to legal entities and individuals by industries:				
to agriculture, hunting, forestry	2,405	3,647	6,052	-
to fishery	-	-	-	-
to manufacturing	6,296	22,545	28,841	907
to utilities	120	286	406	-
to construction	3,688	5,170	8,858	8
to wholesale and retail trade	66,465	14,265	80,730	219
to hotels and restaurants	93	2,059	2,152	-
to transportation, storage and telecommunication	1,311	4,854	6,165	-
to real estate, rent and commercial	4,328	18,165	22,493	31
to education	-	132	132	-
to health care and social works	38	177	215	-
to other utilities, social and personal services	661	2,472	3,133	-
to other types of economic activity	-	-	-	-
Total	85,405	73,772	159,177	1,165
To individuals	2,119	13,577	15,696	54
Total loans by industries and sectors	87,524	87,349	174,873	1,219

Bank's loans by industries and sectors:

LTL thousand

Loans by industry and sectors	2002			
	Short term loans	Long term loans	Total amount of loans	Specific provisions
Loans to legal entities and individuals by industries:				
to agriculture, hunting, forestry	1,621	300	1,921	10
to fishery	-	-	-	-
to manufacturing	3,459	10,817	14,276	76
to utilities	3,311	113	3,424	-
to construction	856	4,948	5,804	-
to wholesale and retail trade	28,349	24,563	52,912	4,297
to hotels and restaurants	-	552	552	-
to transportation, storage and telecommunication	3,146	599	3,745	323
to real estate, rent and commercial	2,768	703	3,471	-
to education	-	-	-	-
to health care and social works	80	109	189	-
to other utilities, social and personal services	159	-	159	-
to other types of economic activity	-	-	-	-
Total	43,749	42,704	86,453	4,706
To individuals	1,159	2,540	3,699	82
Total loans by industries and sectors	44,908	45,244	90,152	4,788

Specific provisions do not include specific provisions equal to LTL'000 792 formed in 2003 for the general loan portfolio risk.

As of 31 December 2003 AB *Ūkio bankas* complied with the maximum loan to one customer requirement established by the Bank of Lithuania, according to which the total amount of loans granted to one customer and customer's related parties thereto may not exceed 25% of the Bank's capital.

Note 6

FINANCIAL LEASE RECEIVABLES

Wholly owned subsidiary of the Bank UAB "Ūkio banko lizingas" is engaged in financial lease activities.

LTL thousand

Amounts receivable under finance leases:	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	2003	2002
Due within one year	75,350	52,674	65,376	47,674
Due within second to fifth year inclusive	21,827	10,223	13,095	9,165
Total	97,177	62,897	78,471	56,839
Less: unearned finance income	(18,706)	(6,058)	-	-
Minimum lease payments receivable	78,471	56,839	78,471	56,839
Less: provisions for lease receivables	(1,056)	(615)	(1,056)	(615)
Finance lease receivables, net of provisions	77,415	56,224	77,415	56,224

LTL thousand

Financial lease receivables by type of assets leased:	2003		2002	
	The Bank	The Group	The Bank	The Group
real estate	-	383	-	610
manufacturing equipment	-	422	-	508
vehicles	-	1,142	-	998
computer equipment	-	31,281	-	24,521
audio and video equipment	-	12,265	-	9,384
household equipment	-	16,253	-	13,350
furniture	-	6,491	-	3,111
other assets	-	10,234	-	4,357
Total financial lease receivables by type of assets leased	-	78,471	-	56,839
less: specific provisions for lease receivables	-	(1,056)	-	(615)
Total financial lease receivables by type of assets leased, net of provisions	-	77,415	-	56,224

Finance lease receivables portfolio of UAB "Ūkio banko lizingas" in the amount of LTL'000 25,000 is pledged to AB Bankas Nord/LB Lietuva for the securitization of LTL'000 15,000 loan payable to AB Bankas Nord/LB Lietuva.

Note 7

DEBT SECURITIES AND EQUITY INSTRUMENTS

LTL thousand

	2003		2002	
	The Bank	The Group	The Bank	The Group
Equity securities held for trade:				
AB Lietuvos telekomas	71	71	-	-
AB Ekranas	-	-	18	18
AB Anykščių vynos	34	34	-	-
AB Klaipėdos baldai	28	28	-	-
AB Klaipėdos nafta	96	96	-	-
AB Lietuvos dujos	79	79	-	-
AB Linas	66	66	-	-
AB Vakarų skirstomieji tinklai	118	118	-	-
AB Vilniaus baldų kombinatas	50	50	-	-
AB Vilniaus degtinė	44	44	-	-
AB Klaipėdos transporto laivynas	-	-	61	61
AB Vilniaus bankas	1	1	1	1
AB Vingis	-	-	91	91
AB Stumbras	55	55	84	84
Other equity securities	1	1	1	1
Total:	642	642	256	256
Equity securities available for sale:				
AB Holdinginė tekstilės korporacija	5,037	5,037	5,038	5,038
AB NVPB	15	15	15	15
AB Šiaulių komercija	160	160	-	-
AB Šiaulių bankas	550	550	500	500
Balkan Investment Bank A.D.	3,330	3,330	2,619	2,619
GD UAB Bonum Publicum	551	551	469	469
SWIFT SCRL	81	81	-	-
UAB Domus Altera	1,866	1,866	-	-
UAB Energetinių sistemų lizingas	110	110	171	171
AB Tauragės grūdai	-	-	439	439
UAB Nidos smiltė	-	-	-	-
AB Šiaulių komercija	-	-	154	154
UAB Šiaulių LEZ valdymo bendrovė	-	-	4	4
UAB Ūkio banko investicinė grupė	9,362	13,418	4,512	4,512
UAB FMJ Finbaltus	777	777	789	789
Total	21,839	25,895	14,710	14,710
Investments accounted or under the equity method:				
UAB Ūkio Banko Lizingas	2,523	-	1,240	-
UAB Optimalus Turto Valdymas	299	-	-	-
Total	2,822	-	1,240	-
Total equity securities	25,303	26,537	16,206	14,966

As of 31 December 2003 50,001 shares of UAB "Ūkio banko lizingas" (more than 50 % of investee's share capital) are pledged to AB Bankas Nord/LB Lietuva for the securization of the loan payable by UAB "Ūkio banko lizingas" to AB Bankas Nord/LB Lietuva.

Note 8

FINANCIAL ASSETS

LTL thousand

	2003		2002	
	The Bank	The Group	The Bank	The Group
Trading financial assets				
Equity securities	642	642	256	256
Debt securities	9,806	9,806	21,453	21,453
Treasury bills	22,780	22,780	6,964	6,964
Loans	-	-	-	-
Investments held to maturity				
Debts securities	-	-	-	-
Treasury bills	-	-	-	-
Financial assets available for sale				
Equity securities	21,839	25,895	14,710	14,710
Debt securities	-	-	-	-
Treasury bills	-	-	-	-
Loans and receivables				
Loans	264,772	190,092	144,764	94,521
Financial lease receivables	-	77,415	-	56,224
Receivables	12,775	27,654	17,177	24,905

Note 9

INTANGIBLE FIXED ASSETS

LTL thousand

	The Bank	The Group
	Software	
Carrying value		
Balance as of 31 December 2002	2,300	2,479
elimination of previously consolidated subsidiaries	-	-
additions	1,740	1,751
disposals and transfers	(702)	(715)
Balance as of 31 December 2003	3,338	3,515
Accumulated depreciation		
Balance as of 31 December 2002	1,376	1,467
elimination of previously consolidated subsidiaries	-	-
charge for the year	360	401
disposals	(702)	(715)
Balance as of 31 December 2003	1,034	1,153
Net book value		
31 December 2002	924	1,012
31 December 2003	2,304	2,362

Note 10

FIXED ASSETS

LTL thousand

	The Bank				
	Buildings	Vehicles	Office equipment	Building under construction	Total
Carrying value					
Balance as of 31 December 2002	31,832	1,655	9,345	195,532	238,364
additions	12	179	1,520	21,606	23,317
effect of change in currency exchange rate	-	-	-	(32,402)	(32,402)
disposals	(7,764)	(144)	(932)	(197)	(9,037)
Balance as of 31 December 2003	24,080	1,690	9,933	184,539	220,242
Accumulated depreciation					
Balance as of 31 December 2002	2,628	752	5,298	-	8,678
charge for the year	539	227	1,172	-	1,938
disposals	(699)	(78)	(829)	-	(1,606)
Balance as of 31 December 2003	2,468	901	5,641	-	9,010
Net book value					
31 December 2002	29,204	903	4,047	195,532	229,686
31 December 2003	21,612	789	4,292	184,539	211,232

Building under construction in the amount of LTL'000 184,539 (2002 – 195,532) represents building under construction located in Moscow, Russia (Note 40).

The depreciation charge for the year is included in the depreciation and amortisation expenses in the statement of income.

LTL thousand

	The Group				
	Buildings	Vehicles	Office equipment	Building under construction	Total
Carrying value					
Balance as of 31 December 2002	34,162	2,977	10,220	195,532	242,891
effect of change in currency exchange rate	-	-	-	(32,402)	(32,402)
additions	7,082	333	1,816	21,606	30,837
disposals	(7,764)	(194)	(1,119)	(197)	(9,274)
Balance as of 31 December 2003	33,480	3,116	10,917	184,539	232,052
Accumulated depreciation					
31 December 2002	2,947	1,314	5,792	-	10,053
effect of change in currency exchange rate	-	-	-	-	-
charge for the year	735	594	1,378	-	2,707
disposals	(699)	(78)	(996)	-	(1,773)
31 December 2003	2,983	1,830	6,174	-	10,987
Net book value					
31 December 2002	31,215	1,663	4,428	195,532	232,838
31 December 2003	30,497	1,286	4,743	184,539	221,065

As of 31 December 2003 building under construction in the amount of LTL'000 184,539 (2002 – 195,532) represents building under construction located in Moscow, Russia (Note 40).

The depreciation charge for the year is included in the depreciation and amortisation expenses in the statement of income.

As of 31 December 2003 tangible fixed assets of the Group include investment property with the net book value of LTL'000 1,814 (2002 – LTL'000 2,011), which are classified under buildings category.

Building, owned by UAB "Ūkio banko lizingas" (100% owned subsidiary of AB *Ūkio bankas*), with net book value of LTL'000 861 as of 31 December 2003 (2002 - LTL'000 984) is pledged to UAB "Bonum Publicum" for the securization of the loan payable to UAB "Bonum Publicum".

Note 11

OTHER ASSETS

LTL thousand

	2003		2002	
	The Bank	The Group	The Bank	The Group
Other assets:				
foreclosed assets	291	291	1,552	1,552
accounts receivable from sale of foreclosed and other assets	10,928	10,928	10,957	10,957
other receivables	2,321	17,200	5,900	13,630
Total other assets	13,540	28,419	18,409	26,139
Provisions				
on foreclosed assets	(136)	(136)	(207)	(207)
on accounts receivable for sales on credit	(518)	(518)	(860)	(860)
on other assets	(111)	(111)	(165)	(167)
Total provisions	(765)	(765)	(1,232)	(1,234)
Total other assets, net of provisions	12,775	27,654	17,177	24,905

Foreclosed assets comprises of real estate, equipment and other assets, taken over for bad debts.

LTL thousand

	2003		2002	
	The Bank	The Group	The Bank	The Group
Specific provisions for other assets at the beginning of the year	1,232	1,849	720	724
Increase in specific provision :				
due to increased risk	1,520	1,959	9,620	9,622
Decrease of specific provisions:				
elimination of provisions of disposed subsidiary	-	-	-	(4)
due to decreased or eliminated risk	(1,987)	(1,987)	(6,803)	(6,803)
reclassification	-	-	(2,305)	(2,305)
Specific provisions for other assets at the end of the year	765	1,821	1,232	1,234

Accrued income and deferred expenses:

	2003		2002	
	The Bank	The Group	The Bank	The Group
Accrued income and deferred expenses:	3,042	4,459	1,023	1,851
Provisions	(239)	(239)	(30)	(30)
Accrued income and deferred expenses, net of provisions	2,803	4,220	993	1,821

LTL thousand

Note 12

PROVISIONS FOR OFF-BALANCE SHEET LIABILITIES

As of 31 December 2003 the Bank had formed provisions that amounted to LTL'000 292 for issued guarantees and letters of credit.

Note 13

AMOUNTS DUE TO BANKS AND OTHER CREDIT AND FINANCIAL INSTITUTIONS

	2003		2002	
	The Bank	The Group	The Bank	The Group
Amounts due to banks and other credit and financial institutions	296,249	295,446	115,395	115,338
Amounts due to correspondent banks	16,396	16,396	33,107	33,107
Deposits of banks, other credit and financial institutions	279,853	279,050	82,288	82,231
including collateralised deposits for the loans granted	19,503	19,503	397	397
Repurchase agreements	-	-	-	-
Loans from credit and financial institutions	2,214	22,260	4,792	7,514
falling due within one year	-	3,000	-	519
falling due after one year	2,214	19,260	4,792	6,995
Total amounts due to banks and other credit and financial institutions	298,463	317,706	120,187	122,852

LTL thousand

Finance lease receivables portfolio of UAB "Ūkio banko lizingas" in the amount of LTL'000 25,000 is pledged to *AB Bankas Nord/LB Lietuva* for the securization of LTL'000 15,000 loan payable to *AB Bankas Nord/LB Lietuva*.

Note 14

DEPOSITS FROM PUBLIC AND LETTERS OF CREDIT

	2003		2002	
	The Bank	The Group	The Bank	The Group
Deposits from public and letters of credit				
Current and demand deposits	157,603	157,603	184,771	184,771
Term deposits and letters for credit	364,907	364,907	292,202	292,202
falling due within one year	335,540	335,540	280,198	280,198
falling due after one year	29,367	29,367	12,004	12,004
Total deposits from public and letters of credit	522,510	522,510	476,973	476,973

LTL thousand

Note 15

SPECIAL AND LENDING FUNDS

As of 31 December 2003 the Bank had current account of social security fund SoDra in the amount of LTL '000 573.

Note 16

DEBT SECURITIES ISSUED

	2003		2002	
	The Bank	The Group	The Bank	The Group
Short term bills	3,797	3,797	4,140	4,140
Total	3,797	3,797	4,140	4,140

LTL thousand

As of 31 December 2003 the Bank had short term ordinary bills issued to Dresdner Bank AG, Frankfurt am Main, in the amount of EUR 103,700, with the maturity on 24 January 2004, to Dresdner Bank AG, Frankfurt am Main, in the amount of EUR 175,790, with the maturity on 24 January 2004, to Commerzbank AG, Frankfurt am Main, in the amount of EUR 363,850, with the maturity on 21 March 2004, to Commerzbank AG, Frankfurt am Main, in the amount of EUR 154,511, with the maturity on 28 May 2004 and to Dresdner Bank AG, Frankfurt am Main, in the amount of USD 377,489, with the maturity on 12 July 2004.

Note 17

SUBORDINATED LOANS AND OTHER LIABILITIES

As of 31 December 2003 and 2002 the Bank and the Group had no subordinated loans.

Other liabilities comprises of the following:

	2003		2002	
	The Bank	The Group	The Bank	The Group
Payables to suppliers	-	8,540	-	11,415
Prepayments from customers for finance leases	-	3,761	-	934
Factoring liabilities	1,448	1,448	466	466
Suspense accounts	1,078	1,078	811	811
Deposit insurance accrued expense	216	216	218	218
Finance lease payable	2,795	37	1,105	77
Other liabilities	3,207	3,372	2,826	3,925
Total	8,744	18,452	5,426	17,846

LTL thousand

Note 18

PROFIT DISTRIBUTION

	2003	2002
Undistributed retained earnings (accumulated deficit) at the beginning of the year	(4,110)	(10,266)
Net profit of the year	4,924	6,156
Distributable profit	4,924	6,156
Distribution of profit:		
transferred to accumulated loss	4,924	6,156
Undistributed retained earnings (accumulated deficit) at the end of the year	814	(4,110)

LTL thousand

Note 19

OTHER OFF BALANCE SHEET LIABILITIES

The Bank's Financial derivatives	Currency exchange	Interest rate	Equity related	Other
Claims	1,288,963	-	-	-
Forwards	126,663	-	-	-
Swaps	16,589	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Futures	69,488	-	-	-
Other claims (SPOT)	1,076,223	-	-	-
Liabilities	1,287,374	-	-	-
Forwards	126,661	-	-	-
Swaps	16,585	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Futures	67,905	-	-	-
Other liabilities (SPOT)	1,076,223	-	-	-

LTL thousand

The Group's Financial derivatives	Currency exchange	Interest rate	Equity related	Other
Claims	1,279,447	-	-	-
Forwards	125,392	-	-	-
Swaps	8,344	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Futures	69,488	-	-	-
Other claims (SPOT)	1,076,223	-	-	-
Liabilities	1,277,674	-	-	-
Forwards	125,298	-	-	-
Swaps	8,248	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Futures	67,905	-	-	-
Other liabilities (SPOT)	1,076,223	-	-	-

LTL thousand

Note 20

OTHER INTEREST INCOME, OTHER INTEREST EXPENSES

	2003		2002	
	The Bank	The Group	The Bank	The Group
Other interest income:				
Other interest income	-	-	-	-
Total other interest income	-	-	-	-
Other interest expenses:				
Other interest expenses	-	-	-	30
Total other interest expenses	-	-	-	30

LTL thousand

Note 21

CAPITAL ADEQUACY

The Bank's and the Group's capital adequacy ratio is calculated according to the Capital Adequacy Calculation Rules approved at 21 December 2000 Resolution No. 172 by the Board of Bank of Lithuania. The established capital adequacy ratio set by the Bank of Lithuania should be more than 10% of main Group's and Bank's capital.

The changes of the capital adequacy ratio during 2003 (quarterly) is presented in the table below:

	The Bank	The Group
31 December 2002	14.45	14.23
31 March 2003	15.52	15.54
30 June 2003	14.16	14.37
30 September 2003	11.42	11.51
31 December 2003	13.03	12.84

percent

Note 22

LIQUIDITY

The calculation of the liquidity ratio is based on the requirements set by the Board of the Bank of Lithuania Resolution No. 40 of 8 April 1999. The Group's and the Bank's liquidity ratio cannot be lower than 30%. The fluctuations of the liquidity ratio of the Group and the Bank during 2003 are shown below:

	The Bank			The Group		
	Current assets, LTL thousand	Current liabilities, LTL thousand	Liquidity ratio, percent	Current assets, LTL thousand	Current liabilities, LTL thousand	Liquidity ratio, percent
January	221,172	471,591	46.90	N/D	N/D	N/D
February	210,289	459,995	45.72	N/D	N/D	N/D
March	193,865	450,986	42.99	199,061	454,860	43.76
April	196,890	461,922	42.62	N/D	N/D	N/D
May	201,698	464,004	43.47	N/D	N/D	N/D
June	240,341	518,499	46.35	245,166	514,528	47.65
July	297,374	575,599	51.66	N/D	N/D	N/D
August	339,894	641,898	52.95	N/D	N/D	N/D
September	570,169	896,970	63.57	576,962	887,023	65.04
October	428,815	756,473	56.69	N/D	N/D	N/D
November	455,354	793,851	57.36	N/D	N/D	N/D
December	404,657	738,203	54.82	412,304	744,134	55.41

LTL thousand

As of 31 December 2003 the Bank's assets and liabilities by the remaining period of maturity were as follows:

LTL thousand

	Up to 1 month	1–3 month	3–12 months	1–5 years	5 years and up	Total
Assets:						
Cash and commemorative coins	13,063	-	-	-	-	13,063
Precious metals	-	-	-	-	-	-
Funds with central banks	13,584	-	-	-	-	13,584
Required reserves in foreign currency	-	-	-	-	33,943	33,943
Securities issued by the Government of the Republic of Lithuania, the Bank of Lithuania, and governments and central banks settled by the Bank of Lithuania	7,739	4,998	19,843	6	-	32,586
Securities issued by governments and central banks unsettled by the Bank of Lithuania	-	-	-	-	-	-
Claims on subsidiary banks	-	-	-	-	-	-
Claims on banks and other credit and financial institutions	339,617	8,000	34,930	46,481	-	429,028
Loans granted	13,402	33,177	73,066	47,500	5,717	172,862
Leasing	-	-	-	-	-	-
Acquired deposit certificates	-	-	-	-	-	-
Government bonds aimed at bank restructuring	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Ownership securities included in the Official Trading List of the NSE	-	-	-	-	121	121
Other ownership securities	-	-	-	-	25,182	25,182
Bank's own long-term tangible and intangible assets	-	-	-	-	213,536	213,536
Assets taken over for debts	-	-	-	-	155	155
Transit accounts	41	-	-	-	-	41
Accrued income	82	18	-	-	204	304
Other assets	411	492	2,304	9,052	8,382	20,641
Total assets	387,939	46,685	130,143	103,039	287,240	955,046

LTL thousand

	Up to 1 months	1–3 months	3–12 months	1–5 years	5 years and up	Total
Liabilities and shareholders' equity:						
Liability to the Bank of Lithuania	-	-	-	4,171	-	4,171
Liabilities on subsidiary banks	-	-	-	-	-	-
Liabilities to banks and other credit and financial institutions	272,044	886	24,447	1,086	-	298,463
Time deposits and letters of credit of enterprises and organisations	13,275	3,801	19,630	4,486	10	41,202
Time deposits of individuals	46,218	70,275	182,331	24,881	-	323,705
Demand deposits	157,603	-	-	-	-	157,603
Issued deposit certificates	-	-	-	-	-	-
Deposits according to custody agreements	-	-	-	-	-	-
Special and lending funds	573	-	-	-	-	573
Issued debt securities	965	1,256	1,576	-	-	3,797
Paid up but not registered share capital	-	-	-	-	-	-
Transit accounts	1,078	-	-	-	-	1,078
Other liabilities	2,651	1,832	2,879	2,263	5,606	15,231
Specific provisions	292	-	-	-	-	292
Reserves	-	-	-	-	-	-
Subordinated loans	-	-	-	-	-	-
Bank capital	-	-	-	-	108,931	108,931
Minority interest	-	-	-	-	-	-
Total liabilities and shareholders' equity	494,699	78,050	230,863	36,887	114,547	955,046
Balance-sheet items' liquidity risk	(106,760)	(31,365)	(100,720)	66,152	172,693	-
Off-balance-sheet liabilities, which may increase assets	42,697	310	13,549	609	1,878	59,043
Liquidity risk	(149,457)	(31,675)	(114,269)	65,543	170,815	(59,043)
Liquidity risk in per cent from assets	(15.65)	(3.32)	(11.96)	6.86	17.86	(6.18)
DI=						77,318
S= DI-LT						(328,417)
Liquid assets						404,657
Current liabilities						738,203
Liquidity ratio, percent						54.82

As of 31 December 2002 the Bank's assets and liabilities by the remaining period of maturity were as follows:

LTL thousand

	Up to 1 month	1–3 month	3–12 months	1–5 years	5 years and up	Total
Assets:						
Cash and commemorative coins	10,150	-	-	-	-	10,150
Precious metals	-	-	-	-	-	-
Funds with central banks	11,815	-	-	-	-	11,815
Required reserves in foreign currency	-	-	-	-	28,893	28,893
Securities issued by the Government of the Republic of Lithuania, the Bank of Lithuania, and governments and central banks settled by the Bank of Lithuania	15,488	995	11,934	-	-	28,417
Securities issued by governments and central banks unsettled by the Bank of Lithuania	-	-	-	-	-	-
Claims on subsidiary banks	-	-	-	-	-	-
Claims on banks and other credit and financial institutions	214,731	5,000	31,183	21,076	-	271,990
Loans granted	11,819	5,939	31,122	24,007	2,368	75,255
Leasing	-	-	-	-	-	-
Acquired deposit certificates	-	-	-	-	-	-
Government bonds aimed at bank restructuring	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Ownership securities included in the Official Trading List of the NSE	-	-	-	-	109	109
Other ownership securities	-	-	-	-	16,097	16,097
Bank's own long-term tangible and intangible assets	-	-	-	-	230,610	230,610
Assets taken over for debts	-	-	-	-	1,345	1,345
Transit accounts	222	-	-	-	-	222
Accrued income	8	-	-	-	102	110
Other assets	3,007	5,887	4,447	4,254	9,328	26,923
Total assets	267,240	17,821	78,686	49,337	288,852	701,936

LTL thousand

	Up to 1 months	1–3 months	3–12 months	1–5 years	5 years and up	Total
Liabilities and shareholders' equity:						
Liability to the Bank of Lithuania	-	-	-	4,171	-	4,171
Liabilities on subsidiary banks	-	-	-	-	-	-
Liabilities to banks and other credit and financial institutions	114,460	185	3,172	2,370	-	120,187
Time deposits and letters of credit of enterprises and organisations	33,426	10,678	18,014	1,131	-	63,249
Time deposits of individuals	43,788	56,658	117,548	10,873	86	228,953
Demand deposits	184,771	-	-	-	-	184,771
Issued deposit certificates	-	-	-	-	-	-
Deposits according to custody agreements	-	-	-	-	-	-
Special and lending funds	-	-	-	-	-	-
Issued debt securities	-	-	4,140	-	-	4,140
Paid up but not registered share capital	-	-	-	-	-	-
Transit accounts	811	-	-	-	-	811
Other liabilities	3,355	1,360	1,875	698	359	7,647
Specific provisions	-	-	-	-	-	-
Reserves	-	-	-	-	-	-
Subordinated loans	-	-	-	-	-	-
Bank capital	-	-	-	-	88,007	88,007
Minority interest	-	-	-	-	-	-
Total liabilities and shareholders' equity	380,611	68,881	144,749	19,243	88,452	701,936
Balance-sheet items' liquidity risk	(113,371)	(51,060)	(66,063)	30,094	200,400	-
Off-balance-sheet liabilities, which may increase assets	20,914	671	1,293	87	-	22,965
Liquidity risk	(134,285)	(51,731)	(67,356)	30,007	200,400	(22,965)
Liquidity risk in per cent from assets	(19.13)	(7.37)	(9.59)	4.27	28.55	(3.27)
DI=						82,599
S= DI-LT						(188,708)
Liquid assets						270,496
Current liabilities						529,086
Liquidity ratio, percent						51.13

As of 31 December 2003 the Group's assets and liabilities by the remaining period of maturity were as follows:

	LTL thousand					
	Up to 1 months	1–3 months	3–12 months	1–5 years	5 years and up	Total
Assets:						
Cash and commemorative coins	13,065	-	-	-	-	13,065
Precious metals	-	-	-	-	-	-
Funds with central banks	13,584	-	-	-	-	13,584
Required reserves in foreign currency	-	-	-	-	33,943	33,943
Securities issued by the Government of the Republic of Lithuania, the Bank of Lithuania, and governments and central banks settled by the Bank of Lithuania	7,739	4,998	19,843	6	-	32,586
Securities issued by governments and central banks unsettled by the Bank of Lithuania	-	-	-	-	-	-
Claims on subsidiary banks	-	-	-	-	-	-
Claims on banks and other credit and financial institutions	337,142	3,000	12,430	-	-	352,572
Loans granted	15,202	33,177	73,066	47,500	5,717	174,662
Leasing	8,474	13,774	40,624	12,718	1,825	77,415
Acquired deposit certificates	-	-	-	-	-	-
Government bonds aimed at bank restructuring	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Ownership securities included in the Official Trading List of the NSE	-	-	-	-	121	121
Other ownership securities	-	-	-	-	26,416	26,416
Bank's own long-term tangible and intangible assets	-	-	-	-	223,427	223,427
Assets taken over for debts	-	-	-	-	155	155
Transit accounts	214	-	-	-	-	214
Accrued income	655	18	-	-	204	877
Other assets	1,670	498	7,072	9,052	17,899	36,191
Total assets	397,745	55,465	153,035	69,276	309,707	985,228

	LTL thousand					
	Up to 1 months	1–3 months	3–12 months	1–5 years	5 years and up	Total
Liabilities and shareholders' equity:						
Liability to the Bank of Lithuania	-	-	-	4,171	-	4,171
Liabilities on subsidiary banks	-	-	-	-	-	-
Liabilities to banks and other credit and financial institutions	271,375	3,886	24,719	17,726	-	317,706
Time deposits and letters of credit of enterprises and organisations	13,275	3,801	19,630	4,486	10	41,202
Time deposits of individuals	46,218	70,275	182,331	24,881	-	323,705
Demand deposits	157,603	-	-	-	-	157,603
Issued deposit certificates	-	-	-	-	-	-
Deposits according to custody agreements	-	-	-	-	-	-
Special and lending funds	573	-	-	-	-	573
Issued debt securities	965	1,256	1,576	-	-	3,797
Paid up but not registered share capital	-	-	-	-	-	-
Transit accounts	1,078	-	-	-	-	1,078
Other liabilities	15,135	2,154	3,020	440	5,421	26,170
Specific provisions	292	-	-	-	-	292
Reserves	-	-	-	-	-	-
Subordinated loans	-	-	-	-	-	-
Bank capital	-	-	-	-	108,931	108,931
Minority interest	-	-	-	-	-	-
Total liabilities and shareholders' equity	506,514	81,372	231,276	51,704	114,362	985,228
Balance-sheet items' liquidity risk	(108,769)	(25,907)	(78,241)	17,572	195,345	-
Off-balance-sheet liabilities, which may increase assets	36,998	310	13,549	609	1,878	53,344
Liquidity risk	(145,767)	(26,217)	(91,790)	16,963	193,467	(53,344)
Liquidity risk in per cent from assets	(14.79)	(2.66)	(9.32)	1.72	19.64	(5.41)
DI=						77,318
S= DI-LT						(336,064)
Liquid assets						412,304
Current liabilities						744,134
Liquidity ratio, percent						55.41

As of 31 December 2002 the Group's assets and liabilities by the remaining period of maturity were as follows:

LTL thousand

	Up to 1 months	1–3 months	3–12 months	1–5 years	5 years and up	Total
Assets:						
Cash and commemorative coins	10,153	-	-	-	-	10,153
Precious metals	-	-	-	-	-	-
Funds with central banks	11,815	-	-	-	-	11,815
Required reserves in foreign currency	-	-	-	-	28,893	28,893
Securities issued by the Government of the Republic of Lithuania, the Bank of Lithuania, and governments and central banks settled by the Bank of Lithuania	15,488	995	11,934	-	-	28,417
Securities issued by governments and central banks unsettled by the Bank of Lithuania	-	-	-	-	-	-
Claims on subsidiary banks	-	-	-	-	-	-
Claims on banks and other credit and financial institutions	213,065	-	8,684	76	-	221,825
Loans granted	11,819	5,939	31,122	24,007	2,368	75,255
Leasing	7,080	10,109	29,451	9,101	483	56,224
Acquired deposit certificates	-	-	-	-	-	-
Government bonds aimed at bank restructuring	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Ownership securities included in the Official Trading List of the NSE	-	-	-	-	109	109
Other ownership securities	-	-	-	-	14,857	14,857
Bank's own long-term tangible and intangible assets	-	-	-	-	233,850	233,850
Assets taken over for debts	-	-	-	-	1,345	1,345
Transit accounts	222	-	-	-	-	222
Accrued income	8	-	-	-	493	501
Other assets	3,541	11,667	5,863	4,254	9,763	35,088
Total assets	273,191	28,710	87,054	37,438	292,161	718,554

LTL thousand

	Up to 1 months	1–3 months	3–12 months	1–5 years	5 years and up	Total
Liabilities and shareholders' equity:						
Liability to the Bank of Lithuania	-	-	-	4,171	-	4,171
Liabilities on subsidiary banks	-	-	-	-	-	-
Liabilities to banks and other credit and financial institutions	114,716	229	3,821	4,086	-	122,852
Time deposits and letters of credit of enterprises and organisations	33,426	10,678	18,014	1,131	-	63,249
Time deposits of individuals	43,788	56,658	117,548	10,873	86	228,953
Demand deposits	184,771	-	-	-	-	184,771
Issued deposit certificates	-	-	-	-	-	-
Deposits according to custody agreements	-	-	-	-	-	-
Special and lending funds	-	-	-	-	-	-
Issued debt securities	-	-	4,140	-	-	4,140
Paid up but not registered share capital	-	-	-	-	-	-
Transit accounts	811	-	-	-	-	811
Other liabilities	18,274	1,238	1,558	171	359	21,600
Specific provisions	-	-	-	-	-	-
Reserves	-	-	-	-	-	-
Subordinated loans	-	-	-	-	-	-
Bank capital	-	-	-	-	88,007	88,007
Minority interest	-	-	-	-	-	-
Total liabilities and shareholders' equity	395,786	68,803	145,081	20,432	88,452	718,554
Balance-sheet items' liquidity risk	(122,595)	(40,093)	(58,027)	17,006	203,709	-
Off-balance-sheet liabilities, which may increase assets	18,623	664	1,261	-	-	20,548
Liquidity risk	(141,218)	(40,757)	(59,288)	17,006	203,709	(20,548)
Liquidity risk in per cent from assets	(19.65)	(5.67)	(8.25)	2.36	28.35	(2.86)
DI=	-	-	-	-	-	82,599
S= DI-LT	-	-	-	-	-	(194,125)
Liquid assets	-	-	-	-	-	275,913
Current liabilities	-	-	-	-	-	541,970
Liquidity ratio, percent	-	-	-	-	-	50.91

Note 23

FOREIGN CURRENCY POSITION

According to the Bank of Lithuania requirements the maximum overall open position in foreign currency shall not exceed 25% of the bank capital, and maximum open position for one currency shall not exceed 15% of the bank capital. During the year ended 31 December 2003 overall open position was from 1.82% to 13.21% of the bank capital. The biggest open positions were in U.S. Dollars and Euros. As of 31 December 2003 overall open position of AB *Ūkio bankas* was 9.70%, and the biggest open position of one currency was 7.36% (in Euro).

For the purpose of the calculation of the foreign currency position share capital of the Bank and the Group was calculated at LTL'000 104,087 and LTL'000 106,569 correspondingly.

Foreign currency	Exchange rate	The Bank		The Group	
		Position, LTL thousand	Position as percentage of capital	Position, LTL thousand	Position as percentage of capital
US Dollars (USD)	2.7621	1,584	1.52	1,586	1.49
Convertible Marks (BAM)	1.7661	151	0.15	151	0.14
Euro (EUR)	3.4528	7,659	7.36	7,033	6.60
Swiss Franc (CHF)	2.2132	174	0.16	174	0.16
Russian Rubble (RUB)	0.09446	289	0.28	289	0.27
Other currencies(long position)	-	236	0.23	236	0.22
Other currencies (short position)	-	(135)	(0.13)	(135)	(0.13)
Total of long position +	-	10,093	9.70	9,469	8.89
Total of short position -	-	(135)	(0.13)	(135)	(0.13)
Total exposure	-	10,093	9.70	9,468	8.89

Note 24

SUBSEQUENT EVENTS

No significant events occurred subsequent to the year-end.

Note 25

RELATED PARTY TRANSACTIONS

As of 31 December 2003 the Bank's transactions with related parties were as follows:

The Bank	Members of the Board	Members of the Council	Share-holders	Other Related Parties
2003				
Loans, financial lease, LTL thousand	208	865	25,596	76,480
Average interest rate, percent	5.35	5.78	7.1	6.02
Deposits, LTL thousand	328	27	7,215	803
Average interest rate, percent	3.15	3.15	0.2	0.3
2002				
Loans, financial lease, LTL thousand	86	351	-	-
Average interest rate, percent	5.43	5.81	-	-
Deposits, LTL thousand	17	4	57	-
Average interest rate, percent	3.46	1.09	0.19	-

The Group	Members of the Board	Members of the Council	Share-holders	Other Related Parties
2003				
Loans, finance lease, LTL thousand	435	865	25,596	76,480
Average interest rate, percent	5.35	5.78	7.1	6.02
Deposits, LTL thousand	356	27	7,215	823
Average interest rate, percent	3.15	3.15	0.2	1.5
2002				
Loans, finance lease, LTL thousand	86	351	-	-
Average interest rate, percent	5.43	5.81	-	-
Deposits, LTL thousand	17	4	57	53
Average interest rate, percent	3.46	1.09	0.19	3.88

Note 26

COLLATERALISATION OF NON-PERFORMING LOANS (CLASSIFIED IN THE RISK GROUPS III, IV, AND V) BY REAL ESTATE AND OTHER ASSETS

As of 31 December 2003 the loans classified in risk groups III, IV and V comprised LTL'000 7,940.

	Loan balance	Collateral value
III group	5,142	3,705
IV group	2,753	536
V group	45	-

As of 31 December 2003 the value of collateral (real estate and other fixed assets) on non-performing loans amounted to LTL'000 4,241 as evaluated by the Bank's appraisers or independent real estate appraisers having valid assets appraiser's certificates. The value of non-performing loans if reduced by the value of collateral before applying risk coefficients for the calculation of provisions was LTL'000 3,699.

Note 27

ACTIVITIES OF BROKERAGE DIVISION

The turnover of Brokerage division during 2003 in the National Stock Exchange of Lithuania was:

	Equity securities	Government T-bonds	Total
Central market	2,636	1,030	3,666
Block trading	1,544	65,824	67,368
Total:	4,180	66,854	71,034

During 2003 Brokerage division completed 789 transactions with the total value of LTL'000 71,034. Total value of securities accounted by Brokerage division as of 31 December 2003 was LTL'000 57,621 comprising of LTL'000 32,586 of Government T-bonds and LTL'000 25,035 equity securities of private enterprises.

Equity securities of private enterprises were comprised of equity securities of Lithuanian credit and financial institutions in the amount of LTL'000 13,921, equity securities of foreign banks in the amount of LTL'000 3,411 and equity securities of other Lithuanian private enterprises in the amount of LTL'000 7,703. Equity securities held for trading comprised LTL'000 641 of equity securities of other Lithuanian private enterprises, LTL'000 640 out of which were listed in the official and current list of the National Stock Exchange of Lithuania.

During 2003 Brokerage division has earned LTL'000 16 commission income for intermediation in the securities market.

Note 28

PERSONNEL EXPENSES

Personnel expenses are composed of salaries, social security payments, compensations for employees and other payments. Salaries and related social expenses for the years ended 31 December 2003 and 2002 were LTL'000 13,406 and LTL'000 14,203, respectively. At 31 December 2003 and 2002, the Group employed 379 and 354 employees, respectively.

The Bank's personnel expenses for the years ended 31 December 2003 and 2002 were LTL'000 12,040 and LTL'000 13,203, respectively. The bank employed 332 employees as of 31 December 2003 and 323 employees as of 31 December 2002.

Note 29

SHARE CAPITAL

Share capital of the Bank as of 31 December 2003 and 2002 was comprised of 8,892,333 and 7,558,999 ordinary shares with a par value of LTL 12. All shares are outstanding and fully paid.

The Bank did not pay or announce dividends during the year ended 31 December 2003.

As of 31 December 2003 the shareholding of AB *Ūkio bankas* was as follows:

	Ordinary Shares Held	Par Value of Shares Held, LTL thousand	Percent of Ownership
UAB Dujotekana	883,334	10,600	9.93
Tempo LLC	838,306	10,060	9.42
Megawest LLC	703,970	8,448	7.91
Uniline LLC	627,980	7,537	7.06
FMJ UAB Finbaltus	531,072	6,373	5.97
Conto System LLC	528,369	6,340	5.94
N.Stamatiadis	495,000	5,940	5.56
Yellow Star International LLC	483,562	5,803	5.43
Universal business investment group management	445,012	5,340	5.00
AB Kauno tiekimas	416,667	5,000	4.68
Other shareholders	2,939,061	35,267	33.10
Total	8,892,333	106,708	100

	Registered Share Capital	Accumulated Deficit	Currency Revalua- tion Reserve	Treasury Shares	Total
Balance as of 31 December 2001	72,708	(5,763)	(518)	(3,635)	62,792
Contribution to share capital	18,000	-	-	-	18,000
Sale of treasury shares	-	(2,576)	-	3,635	1,059
Net result for the year	-	6,156	-	-	6,156
Balance as of 31 December 2002	90,708	(2,183)	(518)	-	88,007
Contribution to share capital	16,000	-	-	-	16,000
Sale of treasury shares	-	-	-	-	-
Net result for the year	-	4,924	-	-	4,924
Balance as of 31 December 2003	106,708	2,741	(518)	-	108,931

Note 30

SEGMENT INFORMATION

	Banking	Other activities	Total	Elimination	Group
Revenues:	55,092	15,959	71,051	6,311	64,740
internal	6,287	24	6,311	6,311	-
external	48,805	15,935	64,740	-	64,740
Expenses:	49,354	13,665	63,019	6,311	56,708
internal	24	6,287	6,311	6,311	-
external	49,330	7,378	56,708	-	56,708
Depreciation	2,297	811	3,108	-	3,108
Net profit for the year	3,441	1,483	4,924	-	4,924
Assets	955,046	113,238	1,068,284	(83,056)	985,228
Liabilities	846,115	110,413	956,528	(80,231)	876,297

The banking segment includes financial information of AB *Ūkio bankas*, and other activities segment include financial information of UAB "Ūkio banko lizingas" and UAB "Optimalus turto valdymas".

Note 31

COMPLIANCE WITH THE REGULATORY REQUIREMENTS

As of 31 December 2003 the Bank was in compliance with the maximum lending to one customer, related party lending, investments, open foreign currency position and liquidity limits established by the Bank of Lithuania.

Note 32

INCOME TAXES

As of 31 December income tax was comprised of the following:

	2003		2002	
	The Bank	The Group	The Bank	The Group
Current tax	-	12	-	-
Deferred tax	-	-	-	-
Total	-	12	-	-

LTL thousand

[The charge for the year can be reconciled to the profit per the income statement as follows:]

Income tax	2003		2002	
	The Bank	The Group	The Bank	The Group
Profit before tax	4,924	4,936	6,156	6,156
Tax calculated at a tax rate of 15%	739	740	923	923
Tax effect on income not subject to tax:				
Fines and penalties	(134)	(134)	(112)	(192)
Government Treasury bills	(88)	(88)	(140)	(140)
Dividends	(3)	(3)	(2)	(2)
Other	(371)	(384)	(3)	(259)
Tax effect of expenses not deductible in determining taxable profit:				
Provision for debts	82	82	16	104
Charity	284	284	104	104
Fines and penalties	-	-	108	-
Write – off of fixed assets	22	22	12	12
Revaluation of investments	-	-	-	-
Other	166	166	163	242
Reduction in deferred tax asset due to change in tax rate	-	-	-	-
Difference in tax rate within the Group	-	-	-	-
Allowance for subsidiary income	-	-	-	-
Tax loss utilized	(312)	(312)	(723)	(723)
Change in valuation allowance	(385)	(385)	(346)	(69)
Income tax expense	-	12	-	-
Effective tax rate, percent	0.00	0.24	0.00	0.00

LTL thousand

Deferred tax assets and liabilities are attributable to the following items:

	2003		2002	
	The Bank	The Group	The Bank	The Group
Deferred tax asset is composed of the following:				
Deferred income	-	-	-	(208)
Accrued expense	-	-	-	-
Vacation reserve	-	-	(50)	(50)
Write off of receivables	-	-	(31)	(42)
Revaluation of investments	-	-	-	-
Provisions	-	-	-	-
Tax loss carried forward	(618)	(618)	(930)	(1,002)
Total deferred tax asset	(618)	(618)	(1,011)	(1,302)
Deferred tax liability is composed of the following:				
Revaluation of investments	-	-	778	733
Accrued income	-	188	-	59
Total deferred tax liability	-	188	778	792
Net deferred tax asset before valuation allowance	(618)	(430)	(233)	(510)
Valuation allowance	618	430	233	510
Net deferred tax position	-	-	-	-

LTL thousand

The benefit of the tax losses has not been recognized in these financial statements due to uncertainty of their recoverability.

Note 33

PROVISIONS

Movements in the provision for loan losses, foreclosed assets and other assets for the years ended 31 December were as follows:

LTL thousand					
The Bank	Specific provisions for loan loss and interest	Specific provision for loan portfolio	Provisions for guarantees and other off balance sheet items	Other provisions	Total
Balance as of 31 December 2001	2,643	3,000	-	720	6,363
Reversal of provisions	(7,242)	(3,000)	-	(6,512)	(16,754)
Write off of loans fully provided for	(918)	-	-	(29)	(947)
Exchange rate and other adjustments	(137)	-	-	(262)	(399)
Reclassification	2,305	-	-	(2,305)	-
Provision charged	8,167	-	-	9,620	17,787
Balance as of 31 December 2002	4,818	-	-	1,232	6,050
Reversal of provisions	(8,162)	-	(270)	(1,927)	(10,359)
Write off of loans fully provided for	(121)	-	-	(60)	(181)
Exchange rate and other adjustments	(27)	-	(38)	-	(65)
Provision charged	4,950	792	600	1,520	7,862
Balance as of 31 December 2003	1,458	792	292	765	3,307

LTL thousand					
The Group	Specific provisions for loan loss and interest	Specific provision for loan portfolio	Provisions for guarantees and other off balance sheet items	Other provisions	Total
Balance as of 31 December 2001	2,810	4,810	-	784	8,404
Elimination of provision in disposed subsidiaries	(167)	(1,810)	-	(4)	(1,981)
Reversal of provisions	(7,242)	(3,000)	-	(6,512)	(16,754)
Write off of loans fully provided for	(918)	-	-	(29)	(947)
Exchange rate and other adjustments	(137)	-	-	(262)	(399)
Reclassification	2,305	-	-	(2,305)	-
Provision charged	8,167	-	-	10,177	18,344
Balance as of 31 December 2002	4,818	-	-	1,849	6,667
Elimination of provision in disposed subsidiaries	-	-	-	-	-
Reversal of provisions	(8,162)	-	(270)	(1,927)	(10,359)
Write off of loans fully provided for	(121)	-	-	(60)	(181)
Exchange rate and other adjustments	(27)	-	(38)	-	(65)
Provision charged	4,950	792	600	1,959	8,301
Balance as of 31 December 2003	1,458	792	292	1,821	4,363

Note 34

OTHER BANKING INCOME

LTL thousand				
	2003		2002	
	The Bank	The Group	The Bank	The Group
Other banking income:				
fines and penalties received	285	285	2,054	2,783
rent income	1,188	1,188	1,438	2,199
gain on sale of fixed assets	157	157	986	986
other income	864	1,505	731	850
Total other banking income	2,494	3,135	5,209	6,818

Note 35

OTHER BANKING EXPENSES

LTL thousand

	2003		2002	
	The Bank	The Group	The Bank	The Group
Other banking expenses :				
payments to the Deposit Insurance Fund	2,178	2,178	2,292	2,292
taxes	935	1,051	957	1,136
charity	1,894	2,096	696	846
rent	298	298	855	855
maintenance of foreclosed and leased assets	604	604	800	800
finances and penalties	2	2	717	717
payment cards service expense	-	-	710	710
other expenses	2,068	3,317	1,535	2,080
Total other banking expenses	7,979	9,546	8,562	9,436

Note 36

CONTINGENCIES AND COMMITMENTS

LTL thousand

	2003		2002	
	The Bank	The Group	The Bank	The Group
Contingencies and commitments				
credit commitments	55,529	49,830	22,832	20,548
guarantees issued	19,189	19,141	5,276	5,075
other	1,303	1,303	133	-
Total contingencies and commitments	76,021	70,274	28,241	25,623

Finance leases - The Group has outstanding finance lease obligations of approximately LTL'000 37 in connection with lease agreements to acquire vehicles. The net book value of fixed assets under finance lease obligations at 31 December 2003 is approximately LTL'000 1,798. The minimum lease payment obligations are included in lease liabilities. Included in depreciation expense are charges related to finance leases.

At 31 December 2003 the future annual minimum commitments under financial leases of fixed assets are as follows:

LTL thousand

	Financial lease	Fair value
2004	40	37
2005	-	-
Minimal lease payments	40	37
Less: interest	(3)	-
Present value of minimal lease payments	37	-

It is expected that in the normal course of business, expiring leases will be renewed or replaced by leases on other fixed assets.

Operating lease - the Group rents offices, premises for banking activities. The Group has outstanding non-cancellable commitments in connection with the rental agreements in the amount of LTL'000 2,795.

As of 31 December 2003 the future annual minimum commitments under operating leases were as follows:

LTL thousand

For the years ending 31 December	Operating lease
2004	830
2005	665
2006	564
2007	601
2008	135
Thereafter	-
Minimum lease payment	2,795

It is expected that in the normal course of the business, expiring leases will be renewed or replaced by leases on other fixed assets.

Litigation and claims - As of 31 December 2003 the Group was not involved in any legal proceedings except for those related to loan loss recovery.

Note 37

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of International Accounting Standard 32, "Financial Instruments: Disclosure and Presentation". The estimated fair value amounts have been determined by the Bank using market information and valuation methodologies considered appropriate. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value estimates presented herein are based on pertinent information available to the Bank as of 31 December 2003 and 2002. Although the Group is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value for the years ended 31 December. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

	2003		2002	
	The Group		The Group	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:				
Loans and advances to customers	173,130	175,245	85,364	87,125
Financial liabilities:				
Deposits accounts	522,510	553,012	476,973	477,365

LTL thousand

The methods and assumptions used in estimating the fair value of financial instruments are as follows:

Financial Instruments with book value equal to fair value

The fair value of financial instruments that are short-term or re-priced frequently and have a history of negligible credit losses is considered to approximate their carrying value. Those instruments include balances recorded in the following captions:

Loans and advances to customers

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

Deposits and borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Note 38

EXTRAORDINARY INCOME

For the year ended 31 December 2003 Bank and Group had no extraordinary income.

Note 39

CREDIT RISK

The Group takes on exposure to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The exposure to any one borrower including banks and brokers is further restricted by sub limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Note 40

COUNTRY RISK

As of 31 December 2003 the Bank has an exposure of LTL'000 184,539 in Russia which consists of building under construction located in Moscow centre. In addition the bank has regular correspondent nostro accounts held with correspondent banks operating in Russia with the total balance of LTL'000 167,612 as of 31 December 2003. As of 31 December 2003 these correspondent nostro accounts are fully secured.

Note 41

FOREIGN CURRENCY RISK

The Bank and the Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's and the Group's and exposure to foreign currency exchange rate risk at 31 December 2003. Included in the table are the Bank's and the Group's assets and liabilities at carrying amounts, categorized by currency.

Concentration of assets, liabilities and off balance sheet items as of 31 December 2003 was as follows:

The Bank	EUR	USD	LTL	Other	Total
Assets					
Cash	3,055	2,574	7,157	277	13,063
Funds with central banks	33,943	-	13,584	-	47,527
Funds with other banks	67,419	217,261	92,260	52,088	429,028
Loans and advances to customers	58,465	21,685	92,581	131	172,862
Debt securities	-	-	32,586	-	32,586
Ownership securities	81	-	21,892	3,330	25,303
Long-term assets	-	184,539	28,997	-	213,536
Other assets	265	1,012	19,860	4	21,141
Total assets	163,228	427,071	308,917	55,830	955,046
Liabilities					
Liabilities to banks	37,856	219,526	10,402	34,850	302,634
Demand deposits and time deposits	57,719	134,289	313,966	17,109	523,083
Other liabilities	4,858	2,842	12,671	27	20,398
Total liabilities	100,433	356,657	337,039	51,986	846,115
Net on balance sheet position	62,795	70,414	(28,122)	3,844	108,931
Credit commitments	6,927	3,329	45,194	79	55,529
Issued guaranties	9,969	300	8,857	63	19,189

LTL thousand

The Group	EUR	USD	LTL	Other	Total
Assets					
Cash	3,055	2,574	7,159	277	13,065
Funds with central banks	33,943	-	13,584	-	47,527
Funds with other banks	67,199	217,261	16,024	52,088	352,572
Loans and advances to customers	58,465	21,685	94,381	131	174,662
Leasing	-	-	77,415	-	77,415
Debt securities	-	-	32,586	-	32,586
Ownership securities	81	-	23,126	3,330	26,537
Long-term assets	-	184,539	38,888	-	223,427
Other assets	265	10,529	26,639	4	37,437
Total assets	163,008	436,588	329,802	55,830	985,228
Liabilities					
Liabilities to banks	38,261	219,526	29,240	34,850	321,877
Demand deposits and time deposits	57,719	134,289	313,966	17,109	523,083
Other liabilities	4,858	2,842	23,610	27	31,337
Total liabilities	100,838	356,657	366,816	51,986	876,297
Net on balance sheet position	62,170	79,931	(37,014)	3,844	108,931
Credit commitments	6,927	3,329	39,495	79	49,830
Issued guaranties	9,969	300	8,809	63	19,141

LTL thousand

Note 42

INTEREST RATE RISK

The Bank and the Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored daily.

The table below summarizes the Bank's and the Group's exposure to interest rate risks as of 31 December 2003. Included in the table are the Group's and the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual reprising or maturity dates.

LTL thousand

The Bank	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and up	Non-interest bearing	Total
Assets							
Cash	-	-	-	-	-	13,063	13,063
Funds with central banks	-	-	-	-	-	47,527	47,527
Due from banks and other credit and financial institutions	136,796	8,000	34,930	46,481	-	202,821	429,028
Loans and advances to customers	13,402	33,177	73,066	47,500	3,192	2,525	172,862
Debt securities	7,739	4,998	19,843	6	-	-	32,586
Equity securities	-	-	-	-	-	25,303	25,303
Long-term assets	-	-	-	-	-	213,536	213,536
Other assets	-	-	-	-	-	21,141	21,141
Total assets	157,937	46,175	127,839	93,987	3,192	525,916	955,046
Liabilities							
Due to banks and other credit and financial institutions	22,648	886	24,703	4,521	-	249,876	302,634
Current and term deposit accounts	59,493	74,076	201,961	29,367	-	158,186	523,083
Other liabilities	965	1,256	1,576	-	-	16,601	20,398
Total liabilities	83,106	76,218	228,240	33,888	-	424,663	846,115
Interest sensitivity gap	74,831	(30,043)	(100,401)	60,099	3,192	101,253	-

LTL thousand

The Group	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and up	Non-interest bearing	Total
Assets							
Cash	-	-	-	-	-	13,065	13,065
Funds with central banks	-	-	-	-	-	47,527	47,527
Due from banks and other credit and financial institutions	134,297	3,000	12,430	-	-	202,845	352,572
Loans and advances to customers	15,202	33,177	73,066	47,500	3,192	2,525	174,662
Leasing	8,474	13,774	40,624	12,718	-	1,825	77,415
Debt securities	7,739	4,998	19,843	6	-	-	32,586
Equity securities	-	-	-	-	-	26,537	26,537
Long-term assets	-	-	-	-	-	223,427	223,427
Other assets	-	-	-	-	-	37,437	37,437
Total assets	165,712	54,949	145,963	60,224	3,192	555,188	985,228
Liabilities							
Due to banks and other credit and financial institutions	22,782	3,886	24,975	21,161	-	249,073	321,877
Current and term deposit accounts	59,493	74,076	201,961	29,367	-	158,186	523,083
Other liabilities	965	1,256	1,576	-	-	27,540	31,337
Total liabilities	83,240	79,218	228,512	50,528	-	434,799	876,297
Interest sensitivity gap	82,472	(24,269)	(82,549)	9,696	3,192	120,389	-

The table below summarises the effective average interest rate by major currencies for monetary assets and liabilities:

percent

	EUR	USD	LTL
Assets			
Due from other banks	2.05	0.9	0.68
Loans and advances to customers	6.29	7.10	6.26
Debt securities	-	-	2.4
Other assets	-	-	-
Liabilities			
Liabilities to banks and other credit and financial institutions	1.62	1.15	-
Current and term deposit accounts	1.43	0.65	1.76

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