



 **ŪKIO BANKAS**

**ANNUAL REPORT  
2004**

## Council of the Bank



**Liutauras Varanavičius**  
Chairman of the Council

**Ulf Löwenhav**  
Deputy Chairman of the Council

**Ala Kurauskienė**  
Member of the Council

**Olga Gončaruk**  
Member of the Council

**Viktoras Soldatenko**  
Member of the Council

**Gražina Jakavičienė**  
Member of the Council

**Leonas Rimantas Butkus**  
Member of the Council

## Board of the Bank



**Edita Karpavičienė**  
Chairwoman of the Bank



**Gintaras Ugianskis**  
Deputy Chairman of the Board



**Rolandas Balandis**  
Member of the Board

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

# Management report

In the year 2004, the underlying principle for the activity of the Bank was a further development of the long-lasting business relations and the establishment of new contacts. Last year we were guided by the objectives for the strategic development and growth, expanding the service networks, consolidating our customer base of both natural and legal persons, improving the quality of the services we render and optimizing our operating costs. Among other objectives, efforts to strengthen confidence in the bank by increasing the volume of credit operations and attracting deposits and letters of credit were the most significant. In 2004, the number of the business clients of the Bank increased by 16%, and that of individuals by 25%. This growth testifies the increased confidence in the Bank's operations within the business circles and among natural persons.

## Service network

During the year under review, the Bank opened 5 new client service divisions and expanded its client service network up to 28 territorial branches. The Bank also opened its representative office in Kiev, the capital of Ukraine.



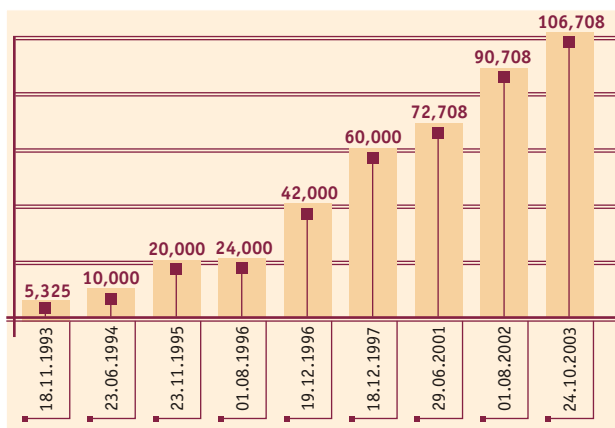
## Profit

Calculated according to the International Financial Reporting Standards, in 2004 the Bank's profit amounted to LTL 5.966 million, i.e. exceeded the target (LTL 5.186 million) by 15%, and was up on that of 2003 by 21.2%, when the year's profit stood at LTL 4.924 million.

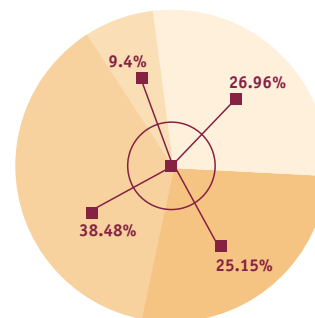
## Share capital

The registered share capital of *Ūkio bankas* is LTL 106 707 996. The Bank has issued 8 892 333 ordinary registered shares with a par value of LTL 12. All shares are fully paid-up. All property and non-property rights attaching to the shares are equal and free from any encumbrances. During the three preceding years the Bank's share registered capital grew by 47%.

Growth of the equity capital in *Ūkio Bankas*, (LTL thousand)



The shareholder structure



The Bank's shareholder structure as of 31.12.2004

**Non-residents:**  
 Legal persons 26.96%  
 Natural persons 9.4%

**Residents:**  
 Legal persons 38.48%  
 Natural persons 25.15%

## Equity securities

At the year-end, the Bank had a holding in the following companies:

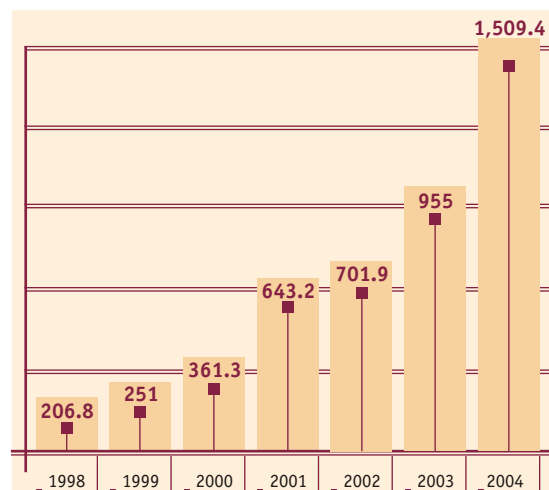
1. *UAB Ūkio banko lizingas* – authorised capital LTL 1 million; all shares (100,000 units) owned by *Ūkio bankas*;
2. *UAB Optimalus turto valdymas* – authorised capital LTL 0.1 million; all shares (1,000 units) owned by *Ūkio bankas*;
3. *UAB Turto valdymo strategija* – authorised capital LTL 1 million; all shares (10,000 units) owned by *Ūkio bankas*;
4. *UAB Turto valdymo sistemos* – authorised capital LTL 1 million; all shares (10,000 units) owned by *Ūkio bankas*;
5. *UAB Turto valdymo sprendimai* – authorised capital LTL 1 million; all shares (10,000 units) owned by *Ūkio bankas*;
6. *UAB Domus Altera* – authorised capital LTL 9.33 million; *Ūkio bankas* owns 373,120 shares, or 19.99% of the company's capital;
7. *UAB Ūkio banko investicinė grupė* – authorised capital LTL 67.5 million; *Ūkio bankas* owns 9,002,220 shares, or 13.33% of the company's capital;
8. Life insurance *UAB Bonum Publicum* – authorised capital LTL 7.01 million; *Ūkio bankas* owns 701 shares, or 10% of the company's capital;
9. *Balkan Investment Bank AD* – authorised capital 18 million Bosnian marks (9.4 million euros); *Ūkio bankas* owns 179,590 shares, or 9.97% of the Bank's capital;
10. *AB Šiaulių bankas* – authorised capital LTL 48.3 million; *Ūkio bankas* owns 1,290,605 shares, or 2.66% of the company's capital;
11. *FBF Finbaltus UAB* – authorised capital LTL 8 million; *Ūkio bankas* owns 769 shares, or 9.61% of the company's capital.

## Assets

During the year 2004, the assets of the Bank increased by 58%, or LTL 554.4 million, to amount at the year-end to LTL 1,509.4 million. This growth was basically caused by a measurable increase in the volume of the loan portfolio as well as the deposits in banks and other credit and financial institutions. The latter has nearly doubled, from LTL 337.1 million to LTL 670.4 million, and now represents the largest share (44%) within the assets of the Bank. The Bank's crediting activity enabled the Bank to increase the Bank's portfolio more than twice to reach a figure of LTL 588 million at the year-end. The share of the loan portfolio within the assets of the Bank increased from 28% to 39%.

During the year the Bank's debt securities portfolio increased 2.4 times amounting to LTL 78 million, while the equities portfolio managed by the Bank reached LTL 29 million, having increased by LTL 4 million.

The growth in Ūkio bankas assets (LTL million)

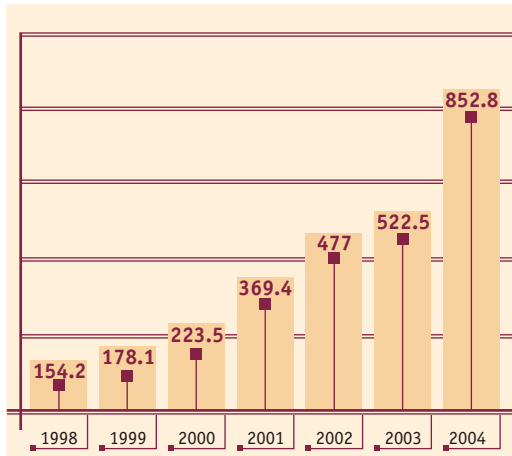


## Liabilities and capital

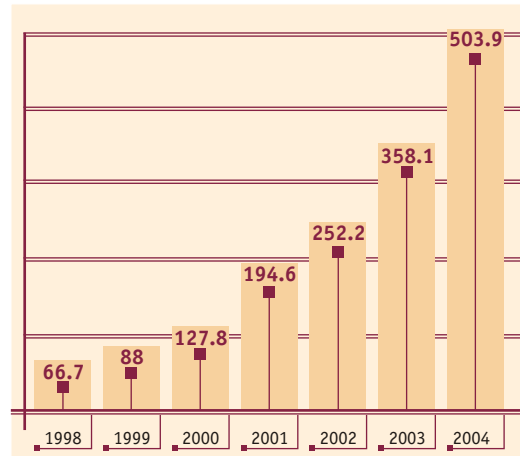
Deposits and letters of credit increased by LTL 330 million (63%) and were recorded at LTL 853 million.

Individual deposits during the year 2004 increased by LTL 146 million, or by 41%, i.e. from LTL 358.1 million to LTL 503.9 million.

Growth in deposits and letters of credit (LTL million)



Growth in private deposits (LTL million)



Funds of banks, other credit and financial institutions held with the Bank increased by LTL 211 million (by 71%) resulting in the assets of LTL 510 million. In 2004, Samsung UK Ltd., the United Kingdom-based subsidiary of the international corporation Samsung, extended the Bank a subordinated loan of LTL 7.6 million. The Bank's capital, including an earned net profit of LTL 6 million, increased during the year by 5% and currently stands at LTL 114.9 million.

The Bank views the Samsung Corporation as an important financial partner on the international arena. The partnership relations with the Samsung Corporation opened for the Bank new wide-scale opportunities for development and active international cooperation. The Bank intends to continue the cooperation relations with Samsung in 2005 by jointly implementing and funding new projects and increasing the Bank's equity capital.

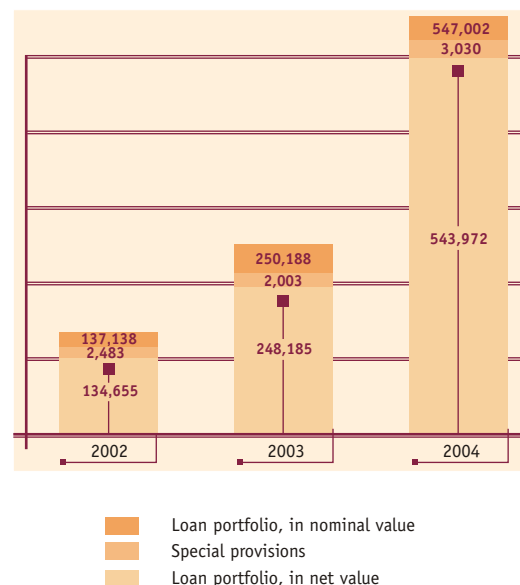
## Credit services

*Ūkio bankas* is providing a range of credit services to business customers and individual clients. Business customers may avail themselves of short-term and long-term loans, credit lines and overdrafts. Clients of the Bank may also make use of guarantees and sureties and letters of credit offered by the Bank. For individual clients the Bank extends housing credits and loans for the acquisition of other property, satisfies consumer needs and supports the development of small businesses. To cover short-term current expenses residents may avail themselves of credits through their payment cards.

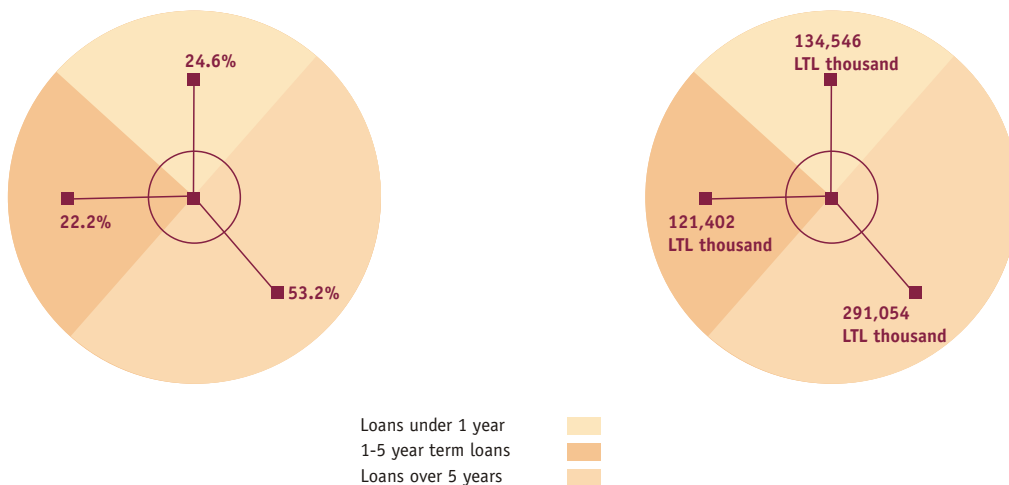
During the year 2004, the value of the loan portfolio of *Ūkio bankas* was increasing in both nominal and net terms. Compared to the level of 2003 the loan portfolio of the Bank went soaring up by LTL 296.8 million (118.64%) and as of 31 December 2004 was reported at LTL 547 million, or LTL 543.97 million in net value.

In view of the growing demand in the market for long-term loans, the Bank was increasing the volumes of long-term (termed in excess of 5 years) lending by funding the investment projects to be implemented by enterprises. Over the year 2004 the Bank's long-term loan portfolio increased by LTL 224.73 million, or more than threefold.

Growth in nominal and net values of the *Ūkio bankas*' loan portfolio (LTL thousand)



Loan portfolio of Ūkio bankas by maturities of loans, 31.12.2004



Local resources as well as funds provided by foreign financial institutions, such as Deutsche Genossenschaftsbank, HypoVereinsbank, Dresdner Bank AG are employed for the project funding.

**Funding of trade.** During the year 2004 the volumes of trade funding services provided by the Bank augmented especially rapidly.

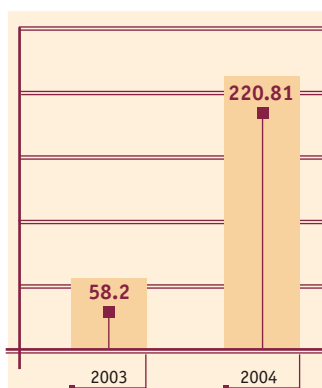
The completed installation of the automatic software for the administration of factoring and accounts receivable enabled not only a more speedy provision of the services, but also expanded the possibilities to tailor the services to individual needs of each customer.

By performing the operations of accounts receivable and factoring the Bank finances the commercial liabilities against the invoices issued by Lithuanian and foreign companies. With customers becoming increasingly aware of the merits of the service, the popularity of factoring has been growing year after year. During 2004 the volumes of the foreign trade financing operations increased notably.

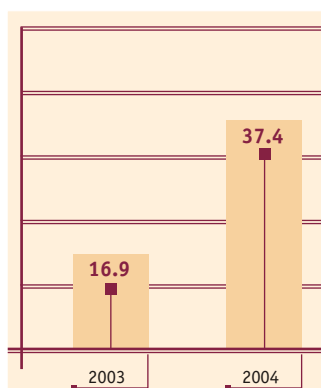
The turnover of factoring operations in the Bank grew to total LTL 220.81 million, representing an increase of 3.8 times as compared to the level of 2003.

As of 31 December 2004, the total amount of receivables transferred to the Bank was LTL 37.5 million, i.e. 2.2 times exceeding the amount of 2003.

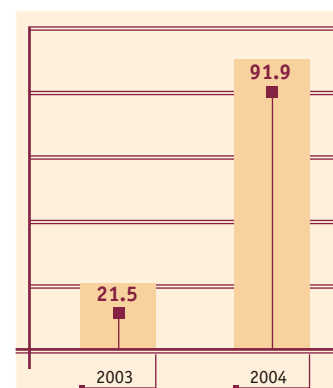
Trade financing operations turnover (LTL million)



Trade financing operations portfolio (LTL million)



Factoring financing limits (LTL million)



## Income

In 2004, the Bank earned a gross income of LTL 61.7 million, representing an increase by 49% on the year 2003. The largest share of the income was generated from the client servicing. Interest income accounted for 45%, and net income from services, commissions and other net income – 36%, while the source of 19% of the total income was income from equity securities, transactions in foreign currency, derivative and other financial instruments and securities. A notable increase of the income-generating assets of the Bank during 2004 caused a surge in the Bank's interest income from LTL 12.2 million to LTL 27.9 million. The net income from services, commissions and other net income increased by LTL 5.2 million and in 2004, totalled LTL 22.3 million. Income from equity securities, transactions in foreign currency, derivative and other financial instruments and securities increased by 32% and amounted to LTL 11.5 million.

## International payments

In 2004, *Ūkio bankas* continued to successfully develop its cooperation with foreign banks. Correspondent ties were maintained with nearly 500 banks.

At the year-end the Bank held Nostro accounts in banks of 28 states.

The principal global partners of *Ūkio bankas* are such banks as Citibank N.A., Bank of Montreal, Commerzbank AG, Dresdner Bank AG, Deutsche Bank AG, Nordea Bank Group, Sberbank, UBS AG, Barclays Bank PLC and others.

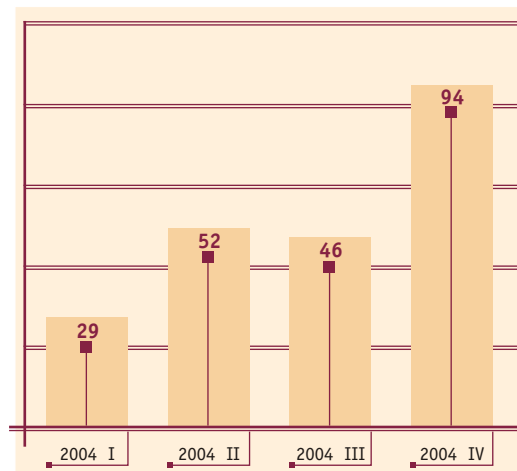
In 2004, *Ūkio bankas* became a participant in the joint pan-European clearing system STEP2.

A wide network of correspondent banks and the expertise of the Bank's staff effecting the international transfers were the main reasons for the rapid growth in the volumes of international payments and cash transfers by natural persons.

During 2004, the number of international transfers increased by as much as 57%, the rise in the number of cash transfers by natural persons accounted for 53%. The provision of the services of the purchase and sales of traveller's cheques was also successfully developed.

In 2004, the Bank continued its fruitful cooperation with the correspondent banks by funding short- and long-term trade projects. Considerable attention was paid to the establishment of new relations in the area of trade funding. Agreements have been signed with Wachovia Bank N.A. (New York) concerning a long-term funding (up to 5 years) under the medium-term insurance facility of the USA Export-Import Bank. The Bank has also reached agreements with the main partner banks concerning funding of new or increase of the existing credit lines for trade.

Change in cash transfers via "Contact" correspondent network, compared to 2003, percentage



## Information technologies

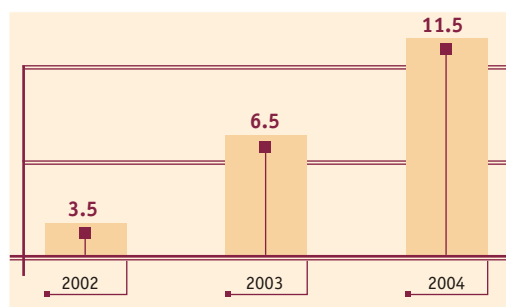
During the year 2004, the Bank's information system was further expanded and improved. Considerable efforts were devoted to ensure the safety of the information system and its uninterrupted operation that involved a major upgrading of a significant share of the Bank's hardware. The Bank also improved the facilities for voice transmission by internal networks by introducing the IP telephony service.

Operations concerning the introduction of the new and upgrading of the existing products of the Bank's information system Forpost were effectively continued during the year reviewed. New guarantee accounting, special provisions and asset accounting options were added in the context of scaling of the system. This enabled the Bank to expand the list of generated reports and install the new server for the report formation. All these developments facilitated a speedier and more efficient submission of operative information to the Bank's top managers and eventually contributed to the improvement of the corporate management.

## Internet banking

During 2004, the Internet banking system *Eta bankas* operated by the Bank was further developed: new applications, such as payment for the utilities and other fees, were introduced and the model for the interface with other business systems significantly improved. The system's administration tool system was also upgraded. Over the year 2004 *Eta bankas* was used to perform a nearly double numbers of payments (around 700,000) than in 2003. The number of *Eta bankas* customers also increased nearly twofold and in 2004 exceeded 10,000.

The growth of the *Eta bankas* user (thousand)



In the year 2005 the Board of the Bank will seek to ensure that the Bank would continue to provide quality banking services, therefore special attention will be devoted to personnel management and quality enhancement. Furthermore, we aim at providing a complete set of services to corporate and private customers. Serious plans are drawn up in relation to the expansion of the service network: in the future it will include branches opened in the regions where services of *Ūkio bankas* are not yet available. The Bank projects to increase its market share in Lithuania up to 6%. By optimizing costs we anticipate an increase in the total revenues of the Bank by 15%.

Application of new technologies and a competitive pricing system will be instrumental for increasing the volumes of services marketed. The highest possible efficiency of operations will be sought through a maximum automation of service provision.

The banking services will be further improved by employing the most state-of-the-art information technologies; the geography of the services will be expanded beyond the boundaries of Lithuania.

During the year 2005 the management of the Bank will foster the growth and development of the Bank, higher efficiency and profitability of the Bank's operations and an increase of the Bank's market share.

Chairman of the Council  
Liutauras Varanavičius

Chairwoman of the Board  
Edita Karpavičienė

Chief Executive Officer  
Gintaras Ugianskis



# Financial statement 2004





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 Lithuania

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## INDEPENDENT AUDITORS' REPORT

### To the shareholders of AB Ūkio bankas:

We have audited the accompanying balance sheets of Ūkio bankas (“the Bank”) as of 31 December 2004 and 2003 and the consolidated balance sheets of the Bank and subsidiaries (“the Group”) as of 31 December 2004 and 2003 and the related statements of income, cash flows and changes in shareholders’ equity 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 the 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 financial position of the Bank and the Group as of 31 December 2004 and 2003, and the results of their operations, cash flows and changes in shareholders’ equity for the years then ended in accordance with International Financial Reporting Standards.

1 March 2005  
 UAB “Deloitte & Touche”

**Torben Pedersen**  
 Partner

**Certified Auditor Juozas Kabašinskas**  
 Auditor’s Certificate No. 000106

**BALANCE SHEET**

As of 31 December 2004

LTL thousand

The Group				The Bank	
2004	2003		Notes	2004	2003
		<b>Assets</b>			
11,113	13,065	Cash, precious metals and other valuables		11,113	13,063
71,247	47,527	Placements with the Bank of Lithuania	2	71,247	47,527
719,329	352,572	Due from banks and other credit and financial institutions	3	991,497	429,028
670,361	337,142	deposits		670,367	337,118
-	-	repurchase agreements		-	-
48,968	15,430	loans		321,130	91,910
-	22,780	Short-term treasury bills	8	-	22,780
281,161	174,662	Loans to customers	4,5	266,840	172,862
110,674	77,415	Finance lease receivables	6	-	-
78,281	9,806	Debt securities	7,8	78,281	9,806
442	5,563	Assets under derivative agreements		1,322	5,563
24,531	26,537	Equity securities	7,8	29,271	25,303
-	-	Investments accounted for under the equity method		8,796	2,822
1,808	2,362	Intangible fixed assets (less amortization)	9	1,764	2,304
227,607	221,065	Tangible fixed assets (less depreciation)	10	21,230	211,232
220,275	215,036	buildings and other real estate		14,565	206,151
1,747	1,286	vehicles		1,480	789
5,585	4,743	office equipment, etc.		5,185	4,292
9,671	4,220	Accrued income and deferred expenses	11	8,191	2,803
22,575	27,654	Other assets	11	28,693	12,775
<b>1,558,439</b>	<b>985,228</b>	<b>Total assets</b>		<b>1,509,449</b>	<b>955,046</b>
		<b>Liabilities</b>			
4,171	4,171	Due to central banks		4,171	4,171
531,151	317,706	Due to banks and other credit and financial institutions	13	509,797	298,463
507,775	295,446	deposits		509,061	296,249
-	-	repurchase agreements		-	-
23,376	22,260	loans		736	2,214
868,118	522,510	Deposits and letters of credit	14	852,801	522,510
292	3,789	Liabilities under derivative agreements		292	3,974
3,282	573	Special and lending funds	15	3,282	573
786	3,797	Debt securities issued	16	786	3,797
7,969	5,299	Accrued expenses and deferred income		5,916	3,883
7,604	-	Subordinated loans	17	7,604	-
20,169	18,452	Other liabilities	17	9,903	8,744
<b>1,443,542</b>	<b>876,297</b>	<b>Total liabilities</b>		<b>1,394,552</b>	<b>846,115</b>
		<b>Shareholders' equity</b>			
		Capital and reserves			
106,708	106,708	registered share capital		106,708	106,708
-	-	(treasury shares)		-	-
-	-	share premium		-	-
-	-	fixed assets revaluation reserve		-	-
-	-	financial assets revaluation reserve		-	-
814	(4,110)	retained earnings and other reserves	18	814	(4,110)
5,966	4,924	current year result	18	5,966	4,924
1,409	1,409	reserve capital		1,409	1,409
<b>114,897</b>	<b>108,931</b>	<b>Total shareholders' equity</b>		<b>114,897</b>	<b>108,931</b>
-	-	<b>Minority interest</b>		-	-
<b>1,558,439</b>	<b>985,228</b>	<b>Total liabilities and shareholders' equity</b>		<b>1,509,449</b>	<b>955,046</b>

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 2005 and signed on its behalf by:

E. Karpavičienė  
Chairperson of the Board




V. Petraitiienė  
Chief Accountant

## OFF-BALANCE SHEET ITEMS

### As of 31 December 2004

LTL thousand

The Group		Notes	The Bank	
2004	2003		2004	2003
		<b>Off balance sheet items</b>		
14,578	19,141	Guarantees and warranties	14,826	19,189
10,673	1,196	Commitments to issue letters of credit	13,087	1,196
63,356	49,830	Irrevocable lending commitments	56,624	55,529
412,670	1,078,208	Other commitments	413,128	1,078,208
		<b>Financial derivatives:</b>		
8,191	203,224	accounts receivables (assets)	24,384	212,740
8,154	201,451	accounts payable (liabilities)	23,471	211,151

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 2005 and signed on its behalf by:

E. Karpavičienė  
Chairperson of the Board




V. Petraitiienė  
Chief Accountant

**STATEMENT OF INCOME**  
For the year ended 31 December 2004

LTL thousand

The Group				The Bank	
2004	2003		Notes	2004	2003
<b>41,870</b>	<b>26,614</b>	<b>Interest income</b>		<b>27,948</b>	<b>15,725</b>
7,403	1,838	on loans to credit and financial institutions and placements with credit institutions		11,564	5,000
15,128	9,234	on other loans		14,975	9,222
	-	on subordinated loans		-	-
1,140	1,503	on debt securities acquired		1,140	1,503
17,930	14,039	other interest and related income		-	-
269	-	other interest income	20	269	-
<b>18,559</b>	<b>12,608</b>	<b>Interest expense</b>		<b>17,405</b>	<b>12,217</b>
2,202	949	on liabilities to credit and financial institutions and amounts due to financial institutions		1,048	558
16,225	11,365	on deposits and other repayable funds		16,225	11,365
49	-	on subordinated loans		49	-
83	294	on debt securities issued		83	294
-	-	other interest expense	20	-	-
<b>23,311</b>	<b>14,006</b>	<b>Net interest income</b>		<b>10,543</b>	<b>3,508</b>
<b>1,895</b>	<b>(3,063)</b>	<b>Provision expense</b>		<b>1,895</b>	<b>(3,063)</b>
2,241	(916)	specific provisions for loans and accrued interest	33	2,241	(916)
(295)	62	specific provisions for executed guarantees	33	(295)	62
466	792	specific provisions for the loan portfolio	33	466	792
(517)	(3,001)	adjustments of expenses incurred due to the recovery of the previously written-off loans		(517)	(3,001)
<b>21,416</b>	<b>17,069</b>	<b>Net interest income after provision</b>		<b>8,648</b>	<b>6,571</b>
23,856	15,816	Service fees and commission income		26,948	18,473
8,377	4,228	Service fees and commission expense		7,978	3,907
<b>36,895</b>	<b>28,657</b>	<b>Net interest, service fees and commission income</b>		<b>27,618</b>	<b>21,137</b>
<b>22</b>	<b>18</b>	<b>Income from equity securities</b>		<b>2,996</b>	<b>1,501</b>
-	-	gain on investments accounted under the equity method		2,974	1,483
<b>10,136</b>	<b>18,990</b>	<b>Realized profit (loss)</b>		<b>10,257</b>	<b>18,382</b>
6,636	7,700	from operations with foreign currency		6,735	7,092
154	(702)	from operations with debt securities		154	(702)
5,056	519	from operations with ownership securities		5,056	519
(1,710)	11,473	from operations with other financial instruments		(1,688)	11,473
<b>(2,132)</b>	<b>(11,631)</b>	<b>Unrealized profit (loss)</b>		<b>(1,796)</b>	<b>(11,201)</b>
3,090	(14,037)	from operations with foreign currency		2,573	(13,006)
638	1	from operations with debt securities		638	1
(4,328)	630	from operations with ownership securities		(4,328)	214
(1,532)	1,775	from operations with other financial instruments		(679)	1,590
<b>44,921</b>	<b>36,034</b>	<b>Income from operations</b>		<b>39,075</b>	<b>29,819</b>
6,929	3,135	Other income	35	3,328	2,494
<b>27,995</b>	<b>23,576</b>	<b>Operating expenses</b>		<b>24,144</b>	<b>19,549</b>
14,965	13,406	salaries, social security and other related expenses	28	13,090	12,040
1,101	997	training and business trips expense		673	579
4,332	2,932	rent and premises maintenance		5,127	2,545
2,153	1,919	transportation and communication expense		1,609	1,468
2,565	1,724	advertising and marketing expense		1,275	1,042
2,879	2,598	other administrative expense	34	2,370	1,875
13,166	9,546	Other expense	36	9,323	7,979
2,947	3,108	Depreciation and amortization expense		2,070	2,297
<b>1,081</b>	<b>(1,997)</b>	<b>Other specific provisions</b>		<b>403</b>	<b>(2,436)</b>
1,081	(2,265)	provisions (reduction in provisions) for other doubtful assets	33	403	(2,704)
-	268	provisions for off-balance sheet items	33	-	268
6,661	4,936	Operating result		6,463	4,924
-	-	Extraordinary gain (loss)		-	-
<b>6,661</b>	<b>4,936</b>	<b>Net income before income tax</b>		<b>6,463</b>	<b>4,924</b>
695	12	Income tax		497	-
-	-	Deferred taxes		-	-
-	-	Minority interest		-	-
<b>5,966</b>	<b>4,924</b>	<b>Net result for the year</b>		<b>5,966</b>	<b>4,924</b>
<b>0.67</b>	<b>0.63</b>	<b>Basic Earnings per Share (in LTL)</b>	<b>1 (p)</b>	<b>0.67</b>	<b>0.63</b>
<b>0.66</b>	<b>-</b>	<b>Diluted Earnings per Share (in LTL)</b>	<b>1 (p)</b>	<b>0.66</b>	<b>-</b>

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 2005 and signed on its behalf by:

E. Karpavičienė  
Chairperson of the Board




V. Petraitiene  
Chief Accountant

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2004

LTL thousand

	Share capital	Restricted (distributable) profit	Retained earnings (accumulated deficit)	Current financial year result	Currency Revaluation Reserve	Total
<b>31 December 2002</b>	<b>90,708</b>	<b>2,000</b>	<b>(10,266)</b>	<b>6,156</b>	<b>(591)</b>	<b>88,007</b>
Transfer to reserve capital	-	-	6,156	(6,156)	-	-
Shares issue	16,000	-	-	-	-	16,000
Net profit for the year	-	-	-	4,924	-	4,924
<b>31 December 2003</b>	<b>106,708</b>	<b>2,000</b>	<b>(4,110)</b>	<b>4,924</b>	<b>(591)</b>	<b>108,931</b>
Transfer to reserve capital	-	-	4,924	(4,924)	-	-
Shares issue	-	-	-	-	-	-
Net profit for the year	-	-	-	5,966	-	5,966
<b>31 December 2004</b>	<b>106,708</b>	<b>2,000</b>	<b>814</b>	<b>5,966</b>	<b>(591)</b>	<b>114,897</b>

(Continued)

LTL thousand

	31 December 2004		31 December 2003		Increase or (decrease)	
	The Bank	The Group	The Bank	The Group	The Bank	The Group
Registered share capital	106,708	106,708	106,708	106,708	-	-
(Treasury shares)	-	-	-	-	-	-
Share premium	-	-	-	-	-	-
Reserve capital	-	-	-	-	-	-
Retained earnings and other reserves	814	814	(4,110)	(4,110)	4,924	4,924
General provision for loan losses	-	-	-	-	-	-
Other general reserves	(591)	(591)	(591)	(591)	-	-
Fixed assets revaluation reserve	-	-	-	-	-	-
Financial assets revaluation reserve	-	-	-	-	-	-
Restricted (distributable) profit	-	-	-	-	-	-
Result for the year	5,966	5,966	4,924	4,924	1,042	1,042
<b>Total shareholders' equity</b>	<b>114,897</b>	<b>114,897</b>	<b>108,931</b>	<b>108,931</b>	<b>5,966</b>	<b>5,966</b>

(Concluded)

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

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E. Karpavičienė  
Chairperson of the Board



V. Petraitiienė  
Chief Accountant



## STATEMENT OF CASH FLOWS

For the year ended 31 December 2004

LTL thousand

The Group		Notes	The Bank	
2004	2003		2004	2003
		<b>Cash from operating activities:</b>		
39,978	24,526	Interest income	25,805	13,819
(16,231)	(11,455)	Interest (expense)	(15,291)	(11,075)
638	4,118	Recovery of loans previously written-off	638	4,118
4,926	19,173	Net income from foreign exchange operations	5,047	18,565
6,372	1,044	Net income on securities	6,289	1,044
15,479	11,588	Net commissions and fee income	18,970	14,566
(14,965)	(13,406)	Staff (expenses)	(13,090)	(12,040)
(19,463)	(16,499)	Other (expenses)	(17,049)	(12,994)
<b>16,734</b>	<b>19,089</b>	<b>Net cash from operating activities before change in operating assets</b>	<b>11,319</b>	<b>16,003</b>
		<b>Changes in operating assets:</b>		
(12,683)	(5,050)	(Increase) decrease in mandatory reserves held with the Bank of Lithuania	(12,683)	(5,050)
(82,365)	(130,118)	(Increase) decrease in loans to credit and financial institutions	(93,780)	(156,409)
(108,035)	(85,198)	(Increase) decrease in loans	(95,445)	(83,398)
(48,575)	(15,430)	(Increase) in equity securities	(48,575)	(15,430)
(36,574)	(33,678)	(Increase) decrease in other current assets	(8,914)	(4,490)
<b>(288,232)</b>	<b>(269,474)</b>	<b>Net (increase) decrease in operating assets</b>	<b>(259,397)</b>	<b>(264,777)</b>
		<b>Changes in liabilities:</b>		
213,445	194,854	Increase (decrease) in liabilities to credit and financial institutions	211,334	178,276
345,608	45,542	Increase in deposits and letters of credit	330,291	45,542
(1,343)	5,072	Increase (decrease) in other liabilities	(2,468)	7,228
<b>557,710</b>	<b>245,468</b>	<b>Net increase (decrease) in liabilities</b>	<b>539,157</b>	<b>231,046</b>
286,212	(4,917)	<b>Net cash flows from (to) operating activities before taxes</b>	<b>291,079</b>	<b>(17,728)</b>
(695)	(12)	Profit tax (paid)	(497)	-
<b>285,517</b>	<b>(4,905)</b>	<b>Net cash flows from (to) operating activities after taxes</b>	<b>290,582</b>	<b>(17,728)</b>

(Continued)

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2004**

LTL thousand

The Group		Notes	The Bank	
2004	2003		2004	2003
		<b>Cash flows from (to) investing activities</b>		
(3,361)	(5,553)	(Acquisitions of) tangible and intangible fixed assets, net of disposals	(8,563)	1,910
-	(4,056)	(Investments into) sale of securities	(3,000)	(100)
-	-	Cash flows from other investing activities	2,974	1,483
<b>(3,361)</b>	<b>(9,609)</b>	<b>Net cash flows from (to) investing activities</b>	<b>(8,589)</b>	<b>3,293</b>
		<b>Cash flows from (to) financing activities</b>		
-	16,000	(Repayment) issue of own securities	-	16,000
-	-	(Purchase of own securities)	-	-
-	-	Dividends paid	-	-
(49)	-	Interest paid	(49)	-
7,604	-	Cash flows from other financial activities	7,604	-
<b>7,555</b>	<b>16,000</b>	<b>Net cash flows from (to) financing activities</b>	<b>7,555</b>	<b>16,000</b>
<b>289,711</b>	<b>1,486</b>	<b>Net increase in cash</b>	<b>289,548</b>	<b>1,565</b>
537,896	248,185	Cash and cash equivalents as of 31 December	537,731	248,183
248,185	246,699	Cash and cash equivalents as of 1 January	248,183	246,618
		<b>Cash and cash equivalents as of 31 December</b>		
11,113	13,065	Cash, precious metals and other valuables	11,113	13,063
24,621	13,584	Compulsory reserves in national currency in correspondent account with Bank of Lithuania	24,621	13,584
342,948	202,821	Funds with credit and financial institutions	342,948	202,821
151,198	5,978	Overnights in other banks	151,198	5,978
165	-	Demand deposits	-	-
7,851	12,737	Government short-term treasury bonds	7,851	12,737
<b>537,896</b>	<b>248,185</b>		<b>537,731</b>	<b>248,183</b>

(Concluded)

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 2005 and signed on its behalf by:

E. Karpavičienė  
 Chairperson of the Board




V. Petraitiienė  
 Chief Accountant



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

### NOTE 1

#### General background

*AB Ūkio bankas* (the Bank) was established in June 1989 as Commercial Industry Bank. The Bank's main office is located in Kaunas, Maironio str. 25.

The Bank has an issued business license from Bank of Lithuania for conducting all financial services specified by Lithuanian Banks Law and providing other services allowed under Lithuanian Financial Institutions Law.

The Bank has 12 branches and 16 divisions in Lithuania, in addition, the Bank has 5 subsidiaries, UAB "Ūkio banko lizingas", set up in 1997, UAB "Optimalus turto valdymas", set up in 2003, UAB "Turto valdymo strategija", UAB "Turto valdymo sprendimai", and UAB "Turto valdymo sistemas", set up in 2004.

The principal accounting policies adopted in the Bank and subsidiaries (the Group) are set out below.

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial information in the financial statements is presented in the national currency of Lithuania, the Litas (LTL).

#### Principles of Consolidation

At 31 December 2004 the Group financial statements include the accounts of the Bank and its fully owned subsidiaries:

Name	Activity	Country	Ownership share
UAB "Ūkio banko lizingas"	Finance lease	Kaunas, Lithuania	100 %
UAB "Optimalus turto valdymas"	Real estate and financial intermediation	Kaunas, Lithuania	100 %
UAB "Turto valdymo strategija"	Real estate and financial intermediation	Kaunas, Lithuania	100 %
UAB "Turto valdymo sprendimai"	Real estate and financial intermediation	Kaunas, Lithuania	100 %
UAB "Turto valdymo sistemas"	Real estate and financial intermediation	Kaunas, Lithuania	100 %

As of 31 December 2003 the financial statements include accounts of the Bank and its 100 percent owned subsidiaries UAB "Ūkio banko lizingas" and UAB "Optimalus turto valdymas".

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 inter-company transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated. The accounting policies used by subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

#### Significant accounting policies

The financial statements are prepared on the historical cost basis and for the measurement of certain financial assets and liabilities at fair value.

The principal accounting policies adopted are set out below:

##### (a) Accounting for transactions in foreign currencies

Transactions denominated in foreign currencies 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, including unmatured commitments to deliver or acquire foreign currencies under spot exchange transactions, if any, are translated at the rate of exchange on the balance sheet date.

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

	2004	2003
USD	2.5345	2.7621
EUR	3.4528	3.4528

Differences resulting from translation of balances denominated in foreign currencies are recognized as unrealized gain (loss) from foreign exchange operations in the period when such translation was carried out.

#### **(b) Interest, fees and commissions income and expense**

Interest income and expense are recognized on an accrual basis on interest earning assets and interest bearing liabilities in accordance with agreements signed with 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.

Interest expense is recognized on an accrual basis.

Commissions, fees and other income are credited to income and expenses are debited when earned or incurred.

#### **(c) Leases**

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

##### **Group as lessee:**

Assets held under finance lease are recognized as assets 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.

Interest expense, i.e. the difference between the total lease payment and the fair value of the acquired assets, is charged to expenses in the statement of income over the entire life of the lease by applying a constant interest rate.

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

##### **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 financial 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.

#### **(d) 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 unrealized gains and losses are included to statement of income from operations with debt and equity securities. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in income from trading securities and investment 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.

#### **(e) 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 counterparty 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 counterparties are also retained in the financial statements.

#### **(f) Investment securities**

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

- held-to-maturity;
- 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. Unrealized 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 operations with debt and equity 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 receivable 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 way 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.

#### **(g) Derivative financial instruments**

Derivative financial instruments including foreign exchange contracts, forward 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 fair value is positive and as liabilities when fair value is negative and are accounted from transaction date till maturity date (except last day). These transactions are accounted at notional value under off balance sheet items.

Group evaluates the position of every financial instrument daily by comparing current exchange rates and exchange rates on the maturity (contractual) date and recognizes the unrealized gain or loss in the statement of income of the related period. Realized gain or loss is recognized at the maturity (contractual) date.

#### **(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 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 additional country risk provisions are established.

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

**(i) 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 profit and loss account. Determinations of fair value are based on periodic appraisals, which are subject to significant fluctuations as economic conditions change.

**(j) Tangible and intangible fixed assets**

Assets falling under the category of tangible and intangible fixed assets are those assets that have been acquired for at least LTL 1,000. Initially tangible and intangible fixed assets are recorded at cost. Subsequent to initial recognition an item of tangible fixed assets is carried at its cost less subsequent accumulated depreciation and subsequent accumulated impairment losses. Subsequent to initial recognition an item of intangible fixed assets is carried at its cost less any accumulated amortization and accumulated impairment losses.

Depreciable amount is calculated net of residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of assets and is charged from the month following the month the assets were brought into use.

Depreciation is provided in equal monthly installments from the month following the month the asset is placed in service over the estimated useful lives as follows:

<b>Buildings</b>	<b>60</b>
<b>Vehicles</b>	<b>5-8</b>
<b>Office equipment and other</b>	<b>2-30</b>
<b>Computers</b>	<b>3-8</b>

Intangible assets are amortized over a period of 3-4 year.

Gains or losses arising from the retirement or disposal of an item of fixed assets are recognized as income or expense in the income statement.

**(k) Investment property**

Investment property is the property, which is held to earn rentals and for capital appreciation. Investment property is initially measured at cost. After initial recognition, the Bank and the Group measures all of its investment property at its fair value. The fair value of the investment property is determined annually by certified independent asset appraisers.

Gains or losses arising from a change in the fair value of investment property are recognized as income or expense in the statement of income.

**(l) Income tax**

Income tax rate in Lithuania is 15%. The Group charges the corporate income tax in accordance with Lithuanian tax regulations.

Deferred income tax is accounted for using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases and for tax loss carry forwards. Deferred tax assets and liabilities are measured using tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Tax losses can be carried forward for a maximum of five years with the exception of the losses incurred because of the sale of securities and derivatives that can be carried forward for three years. The Group has not recognized a deferred income tax asset during 2004 and 2003 due to uncertainty over whether these assets will be realized in the future.

**(m) Other taxes**

According to Lithuanian tax regulations, the Group is also subject to road, land lease and real estate taxes. Road tax is 1% of the net interest income and other income. Land lease tax rate stands at 4% of the value of the leased land. Real estate tax is 1% of the average market value (set by Lithuanian Cadastre and Register institution) of real estate owned by the Group and of foreclosed real estate.

**(n) Cash and cash equivalents**

Cash and cash equivalents consist of cash, precious metals and other valuables, funds with Bank of Lithuania (except the mandatory reserves in foreign currency), funds in bank correspondent accounts and overnight deposits in other banks.

**(o) 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 differ materially from their book value, such fair values are separately disclosed in the notes to the financial statements.

**(p) Earnings per share**

For the purpose of calculating earnings per share, the weighted average number of common shares outstanding during 2004 and 2003 was 8,892,333 and 7,803,748 respectively. At 31 December 2004 the Bank had 158,406 weighted average diluted shares outstanding. Net profit of the year, on the basis of which diluted earnings per share were calculated, was adjusted by interest expense (net of tax) on subordinated loans for the year ending 31 December 2004 in amount of LTL'000 42.

**(q) Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as shareholders, employees, members of the supervisory council and management board, their close relatives and companies that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting party.

**(r) Use of Estimates**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts and notes to the financial. Actual results could differ from those estimates.

**(s) Reclassification**

Certain 2003 amounts have been reclassified to conform to the 2004 basis of presentation.

**NOTE 2****Placements with the Bank of Lithuania**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
-	-	Correspondent account with the Bank of Lithuania	-	-
71,247	47,527	Compulsory reserves	71,247	47,527
<b>71,247</b>	<b>47,527</b>	<b>Total placements with the Bank of Lithuania</b>	<b>71,247</b>	<b>47,527</b>

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 a 6% share of the average balance of deposits of the month.

**NOTE 3****Due from banks and other credit and financial institutions**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Due from banks and other credit and financial institutions</b>		
342,948	202,821	Funds in correspondent accounts	342,948	202,821
		<b>Deposits:</b>		
151,198	-	overnight deposits	151,198	-
177,111	-	term deposits	177,111	-
165	-	demand deposits	-	-
		<b>Loans:</b>		
49,027	15,430	falling due within one year	49,303	15,430
-	-	falling due after one year	272,134	76,480
<b>720,449</b>	<b>352,572</b>	<b>Total due from banks and other credit and financial institutions</b>	<b>992,694</b>	<b>429,028</b>
		<b>Less: provisions for loans</b>		
(249)	-	specific provisions	(249)	-
(871)	-	specific provisions for loan portfolio	(948)	-
<b>(1,120)</b>	<b>-</b>	<b>Total provisions</b>	<b>(1,197)</b>	<b>-</b>
<b>719,329</b>	<b>352,572</b>	<b>Total due from banks and other credit and financial institutions, net</b>	<b>991,497</b>	<b>429,028</b>

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Specific provisions at the beginning of the year</b>		
517	-	Increase in specific provisions	517	-
(268)	-	Decrease in specific provisions	(268)	-
<b>249</b>	<b>-</b>	<b>Specific provisions for at the end of the year</b>	<b>249</b>	<b>-</b>

As of 31 December 2004 the Group and the Bank made LTL'000 871 and LTL'000 948 specific provision for total doubtful assets portfolio, respectively.

**NOTE 4****Loans to customers**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Loans to customers:</b>		
96,584	73,296	falling due within one year	85,245	73,296
140,320	84,981	falling after one year	140,320	84,981
14,048	1,800	Reverse repos	11,548	-
33,576	16,596	Factoring	33,025	16,596
-	-	Bills discounted:	-	-
-	-	short-term bills discounted	-	-
-	-	long-term bills discounted	-	-
<b>284,528</b>	<b>176,673</b>	<b>Total loans to customers</b>	<b>270,138</b>	<b>174,873</b>
		<b>Less: provisions</b>		
(3,040)	(1,219)	specific provisions	(3,040)	(1,219)
(327)	(792)	specific provisions for total loan portfolio	(258)	(792)
<b>(3,367)</b>	<b>(2,011)</b>		<b>(3,298)</b>	<b>(2,011)</b>
<b>281,161</b>	<b>174,662</b>	<b>Total loans to customers, net</b>	<b>266,840</b>	<b>172,862</b>

**The movement of specific provisions for 2004 and 2003 is as follows:**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
<b>2,011</b>	<b>4,788</b>	<b>Specific provisions at the beginning of the year</b>	<b>2,011</b>	<b>4,788</b>
		<b>Increase in specific provisions:</b>		
5,522	4,498	due to increased risk	5,522	4,498
-	-	due to repayment of previously written off loans	-	-
-	2	due to changes in foreign exchange rates	-	2
<b>5,522</b>	<b>4,500</b>		<b>5,522</b>	<b>4,500</b>
		<b>Decrease of specific provisions:</b>		
(4,138)	(7,921)	due to decreased or eliminated risk	(4,138)	(7,921)
(169)	(121)	due to write off of loans	(169)	(121)
(186)	(27)	due to changes in foreign exchange rates	(186)	(27)
<b>(4,493)</b>	<b>(8,069)</b>		<b>(4,493)</b>	<b>(8,069)</b>
<b>3,040</b>	<b>1,219</b>	<b>Specific provisions at the end of the year</b>	<b>3,040</b>	<b>1,219</b>

As of 31 December 2004 the Group and the Bank made LTL'000 327 and LTL'000 258 (2003: LTL'000 792) specific provision for total loan portfolio, respectively.

## NOTE 5

## Loans by industries and sectors

## The Bank

LTL thousand

Loans by industries and sectors	2004			
	Short term loans	Long term loans	Total loans	Specific provisions
<b>Loans to legal entities by industries:</b>				
to agriculture, hunting, forestry	650	5,712	6,362	1
to fishery and pisciculture	-	150	150	-
to manufacturing	33,689	28,234	61,923	145
to utilities	3,783	226	4,009	-
to construction	11,019	25,682	36,701	73
to wholesale and retail trade	48,031	31,642	79,673	1,415
to other financial intermediaries	20	-	20	-
to transportation, storage and telecommunication	3,483	8,754	12,237	5
to real estate, rent and commercial companies	6,026	14,189	20,215	-
to other utilities, social and personal services	7,238	3,172	10,410	427
to hotels and restaurants	106	2,576	2,682	1
to education	-	80	80	-
to health care and social works	140	708	848	-
to other types of economic activity	7,844	-	7,844	424
<b>Total</b>	<b>122,029</b>	<b>121,125</b>	<b>243,154</b>	<b>2,491</b>
<b>To individuals</b>	<b>6,829</b>	<b>20,155</b>	<b>26,984</b>	<b>549</b>
<b>Total loans by industries and sectors</b>	<b>128,858</b>	<b>141,280</b>	<b>270,138</b>	<b>3,040</b>

## The Bank

LTL thousand

Loans by industries and sectors	2003			
	Short term loans	Long term loans	Total loans	Specific provisions
<b>Loans to legal entities by industries:</b>				
to agriculture, hunting, forestry	2,405	3,647	6,052	-
to fishery and pisciculture	-	-	-	-
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 other financial intermediaries	-	-	-	-
to transportation, storage and telecommunication	1,311	4,854	6,165	-
to real estate, rent and commercial companies	4,328	18,165	22,493	31
to other utilities, social and personal services	661	2,472	3,133	-
to hotels and restaurants	93	2,059	2,152	-
to education	-	132	132	-
to health care and social works	38	177	215	-
to other types of economic activity	-	-	-	-
<b>Total</b>	<b>85,405</b>	<b>73,772</b>	<b>159,177</b>	<b>1,165</b>
<b>To individuals</b>	<b>2,119</b>	<b>13,577</b>	<b>15,696</b>	<b>54</b>
<b>Total loans by industries and sectors</b>	<b>87,524</b>	<b>87,349</b>	<b>174,873</b>	<b>1,219</b>



## The Group

LTL thousand

Loans by industries and sectors	2004			
	Short term loans	Long term loans	Total loans	Specific provisions
<b>Loans to legal entities by industries:</b>				
to agriculture, hunting, forestry	650	5,712	<b>6,362</b>	1
to fishery and pisciculture	-	150	<b>150</b>	-
to manufacturing	34,240	28,234	<b>62,474</b>	145
to utilities	3,783	226	<b>4,009</b>	-
to construction	11,019	25,682	<b>36,701</b>	73
to wholesale and retail trade	48,031	31,642	<b>79,673</b>	1,415
to other financial intermediaries	20	-	<b>20</b>	-
to transportation, storage and telecommunication	3,483	8,754	<b>12,237</b>	5
to real estate, rent and commercial companies	6,026	16,689	<b>22,715</b>	-
to other utilities, social and personal services	7,238	3,172	<b>10,410</b>	427
to hotels and restaurants	106	2,576	<b>2,682</b>	1
to education	-	80	<b>80</b>	-
to health care and social works	140	708	<b>848</b>	-
to other types of economic activity	7,844	-	<b>7,844</b>	424
<b>Total</b>	<b>122,580</b>	<b>123,625</b>	<b>246,205</b>	<b>2,491</b>
<b>To individuals</b>	<b>18,168</b>	<b>20,155</b>	<b>26,984</b>	<b>549</b>
<b>Total loans by industries and sectors</b>	<b>140,748</b>	<b>143,780</b>	<b>273,189</b>	<b>3,040</b>

## The Group

LTL thousand

Loans by industries and sectors	2003			
	Short term loans	Long term loans	Total loans	Specific provisions
<b>Loans to legal entities by industries:</b>				
to agriculture, hunting, forestry	2,405	3,647	<b>6,052</b>	-
to fishery and pisciculture	-	-	<b>-</b>	-
to manufacturing	6,296	22,545	<b>28,841</b>	907
to utilities	120	286	<b>406</b>	-
to construction	3,688	5,170	<b>8,858</b>	8
to wholesale and retail trade	66,465	14,265	<b>80,730</b>	219
to other financial intermediaries	-	-	<b>-</b>	-
to transportation, storage and telecommunication	1,311	4,854	<b>6,165</b>	-
to real estate, rent and commercial companies	4,328	18,165	<b>22,493</b>	31
to other utilities, social and personal services	661	2,472	<b>3,133</b>	-
to hotels and restaurants	93	2,059	<b>2,152</b>	-
to education	-	132	<b>132</b>	-
to health care and social works	38	177	<b>215</b>	-
to other types of economic activity	1,800	-	<b>1,800</b>	-
<b>Total</b>	<b>87,205</b>	<b>73,772</b>	<b>160,977</b>	<b>1,165</b>
<b>To individuals</b>	<b>2,119</b>	<b>13,577</b>	<b>15,696</b>	<b>54</b>
<b>Total loans by industries and sectors</b>	<b>89,324</b>	<b>87,349</b>	<b>176,673</b>	<b>1,219</b>

As of 31 December 2004 the Bank complied with the maximum loan to one customer requirement established by 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**

At 31 December the Group's minimum lease receivables and the present value of minimum lease receivables are composed as follows:

LTL thousand

Minimum lease receivables			Present value of minimum lease receivables	
2004	2003		2004	2003
		<b>Amounts receivable under finance leases:</b>		
95,839	75,350	Due within one year	86,711	65,376
27,330	21,827	Due within the second to fifth years inclusive	25,398	13,095
<b>123,169</b>	<b>97,177</b>	<b>Total</b>	<b>112,109</b>	<b>78,471</b>
(11,060)	(18,706)	Less: unearned finance income	-	-
<b>112,109</b>	<b>78,471</b>	<b>Minimum lease receivables</b>	<b>112,109</b>	<b>78,471</b>
(1,435)	(1,056)	Less: provisions for lease receivables	(1,435)	(1,056)
<b>110,674</b>	<b>77,415</b>	<b>Finance lease receivables, net</b>	<b>110,674</b>	<b>77,415</b>

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Financial lease by type of assets leased:</b>		
1,934	383	real estate	-	-
650	422	manufacturing equipment	-	-
3,796	1,142	vehicles	-	-
35,459	31,281	computer equipment	-	-
15,408	12,265	audio and video equipment	-	-
21,254	16,253	household equipment	-	-
10,312	6,491	furniture	-	-
23,296	10,234	other assets	-	-
<b>112,109</b>	<b>78,471</b>	<b>Total financial lease receivables by type of assets leased</b>	<b>-</b>	<b>-</b>
(1,435)	(1,056)	Specific provisions for lease receivables	-	-
<b>110,674</b>	<b>77,415</b>	<b>Total financial lease receivables by type of assets leased, net</b>	<b>-</b>	<b>-</b>

The movement of specific provisions for 2004 and 2003 is the following:

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
<b>1,056</b>	<b>615</b>	<b>Specific provisions at the beginning of the year</b>	-	-
		<b>Increase in specific provisions:</b>		
679	680	due to increased risk	-	-
-	-	due to repayment of previously written off loans	-	-
-	-	due to changes in foreign exchange rates	-	-
<b>679</b>	<b>680</b>		<b>-</b>	<b>-</b>
		<b>(Decrease) of specific provisions:</b>		
-	-	due to decreased or eliminated risk	-	-
(300)	(239)	due to write off of loans	-	-
-	-	due to changes in foreign exchange rates	-	-
<b>(300)</b>	<b>(239)</b>		<b>-</b>	<b>-</b>
<b>1,435</b>	<b>1,056</b>	<b>Specific provisions at the end of the year</b>	<b>-</b>	<b>-</b>

The Bank's subsidiary UAB "Ūkio banko lizingas" is engaged in leasing business.

The average maturity term of a lease contract is 48 months.

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 7

## Investments in debt and equity securities

## Debt securities

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Debt securities held for trade</b>		
32	9,806	Lithuanian Government debt securities	32	9,806
48,500	-	Other debt securities:	48,500	-
17,623	-	<i>Italy government debt securities</i>	17,623	-
3,064	-	<i>Germany government debt securities</i>	3,064	-
3,004	-	<i>France government debt securities</i>	3,004	-
2,427	-	<i>Belgium government debt securities</i>	2,427	-
2,271	-	<i>Austria government debt securities</i>	2,271	-
1,555	-	<i>Russian Federation government debt securities</i>	1,555	-
18,556	-	<i>other debt securities</i>	18,556	-
<b>48,532</b>	<b>9,806</b>	<b>Total debt securities held for trade</b>	<b>48,532</b>	<b>9,806</b>
		<b>Debt securities available for sale</b>		
28,750	-	Lithuanian Government debt securities	28,750	-
999	-	Other debt securities	999	-
<b>29,749</b>	-	<b>Total debt securities available for sale</b>	<b>29,749</b>	-
-	-	Less: general provisions	-	-
-	-	Less: specific provisions	-	-
<b>78,281</b>	<b>9,806</b>	<b>Total debt securities, net</b>	<b>78,281</b>	<b>9,806</b>

The Bank has acquired Lithuanian treasury bills. The redemption dates of these treasury bills are from 2005 to 2007.

## Equity securities

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Investments into subsidiaries:</b>		
-	-	UAB "Ūkio banko lizingas"	2,695	2,523
-	-	UAB "Optimalus turto valdymas"	3,946	299
-	-	UAB "Turto valdymo strategija"	719	-
-	-	UAB "Turto valdymo sprendimai"	718	-
-	-	UAB "Turto valdymo sistemos"	718	-
-	-	<b>Total investments into subsidiaries</b>	<b>8,796</b>	<b>2,822</b>
		<b>Trading equity securities:</b>		
216	66	AB "Linas"	216	66
175	-	AB "Žemaitijos pienas"	175	-
167	79	AB "Lietuvos dujos"	167	79
148	-	AB "Vilniaus vingis"	148	-
137	-	KIB "Invalida"	137	-
129	71	AB "Lietuvos telekomas"	129	71
120	96	AB "Klaipėdos nafta"	120	96
115	-	AB "Rokiškio sūris"	115	-
68	-	AB "Pieno žvaigždės"	68	-
65	-	AB "Ekranas"	65	-
56	50	AB "Vilniaus baldų kombinatas"	56	50
49	-	AB "Dvarčionių keramika"	49	-
49	-	AB "Utenos trikotažas"	49	-
26	-	AB bankas "Snoras"	26	-
1	1	AB "Vilniaus bankas"	1	1
-	34	AB "Anykščių vynos"	-	34
-	28	AB "Klaipėdos baldai"	-	28
-	118	AB "Vakarų skirstomieji tinklai"	-	118
-	44	AB "Vilniaus degtinė"	-	44
-	55	AB "Stumbras"	-	55
<b>1,521</b>	<b>642</b>	<b>Total trading equity securities</b>	<b>1,521</b>	<b>642</b>
		<b>Equity investments available for sale</b>		
13,418	13,418	UAB "Ūkio banko investicinė grupė"	9,362	9,362
3,296	3,330	Balkan Investment Bank A.D.	3,296	3,330
2,801	550	AB Šiaulių bankas	2,801	550
1,866	1,866	UAB "Domus Altera"	1,866	1,866
777	777	UAB FMI "Finbaltus"	777	777
771	551	GD UAB "Bonum Publicum"	771	551
81	81	SWIFT SCRL	81	81
-	5,037	AB "Holdinginė tekstilės korporacija"	-	5,037
-	15	AB NVPB	-	15
-	160	AB "Šiaulių komercija"	-	160
-	110	UAB "Energetinių sistemų lizingas"	-	110
<b>23,010</b>	<b>25,895</b>	<b>Total equity investments available for sale</b>	<b>18,954</b>	<b>21,839</b>
<b>24,531</b>	<b>26,537</b>	<b>Total equity investments</b>	<b>29,271</b>	<b>25,303</b>

As of 31 December 2004 50,001 shares of the UAB "Ūkio banko lizingas" (more than 50 % of the Company's share capital) are pledged to AB Bank NORD/LB Lietuva for the securization of the loan payable to AB Bank NORD/LB Lietuva.

**NOTE 8****Financial assets**

LTL thousand

The Group			Banks	
2004	2003		2004	2003
		<b>Trading financial assets</b>		
1,521	642	Equity securities	1,521	642
49,499	9,806	Debt securities	49,499	9,806
28,782	22,780	Treasury bills	28,782	22,780
-	-	Loans	-	-
		<b>Investments held to maturity</b>		
-	-	Debts securities	-	-
-	-	Treasury bills	-	-
		<b>Financial assets available for sale</b>		
23,010	25,895	Equity securities	18,954	21,839
-	-	Debt securities	-	-
-	-	Treasury bills	-	-
		<b>Loans and receivables</b>		
330,129	190,092	Loans	587,970	264,772
110,674	77,415	Finance lease receivables	-	-
22,575	27,654	Receivables	28,693	12,775

**NOTE 9****Intangible fixed assets**

LTL thousand

The Group			The Bank	
Computer software			Computer software	
		<b>Historical cost</b>		
3,515		Balance as of 31 December 2003		3,338
323		additions		303
(265)		disposals		(228)
3,573		Balance as of 31 December 2004		3,413
		<b>Accumulated amortization</b>		
1,153		Balance as of 31 December 2003		1,034
700		charge for the year		667
(88)		disposals		(52)
1,765		Balance as of 31 December 2004		1,649
		<b>Net book value</b>		
2,362		31 December 2003		2,304
1,808		31 December 2004		1,764

The carrying value of the computer software acquired by the Bank under finance lease agreements as of 31 December 2004 were LTL'000 1,291 (31 December 2003: LTL'000 1,538).

**NOTE 10****Tangible fixed assets****The Bank**

LTL thousand

	Buildings and other real estate	Vehicles	Office equipment	Construction in progress	Total
<b>Historical cost</b>					
31 December 2003	24,080	1,690	9,933	184,539	220,242
additions	-	944	2,316	8,456	11,716
value corrections	739	-	-	5,461	6,200
disposals	(7,976)	(101)	(1,579)	(198,456)	(208,112)
reclass to investment property	(1,098)	-	-	-	(1,098)
31 December 2004	15,745	2,533	10,670	-	28,948
<b>Accumulated depreciation</b>					
31 December 2003	2,468	901	5,641	-	9,010
charge for the year	344	228	831	-	1,403
disposals	(534)	(76)	(987)	-	(1,597)
reclass to investment property	(1,098)	-	-	-	(1,098)
31 December 2004	1,180	1,053	5,485	-	7,718
<b>Net book value</b>					
31 December 2003	21,612	789	4,292	184,539	211,232
31 December 2004	14,565	1,480	5,185	-	21,230

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

As of 31 December 2004 tangible fixed assets of the Bank include investment property with the net book value of LTL'000 7,916, which is classified under buildings and other real estate category. The investment property fair values were revalued as of 31 December 2004 by independent assets appraisers UAB "Panta". The fair value of buildings was determined under the market value basis.

The carrying value of the vehicles and office equipment acquired by the Bank under finance lease agreements as of 31 December 2004 were LTL'000 170 (2003: LTL'000 386) and LTL'000 1,535 (2003: LTL'000 950), respectively.

## The Group

LTL thousand

	Buildings and other real estate	Vehicles	Office equipment	Construction in progress (see note 40)	Total
<b>Historical cost</b>					
<b>31 December 2003</b>	<b>33,480</b>	<b>3,116</b>	<b>10,917</b>	<b>184,539</b>	<b>232,052</b>
additions	10,409	1,002	2,444	8,456	22,311
value corrections	2,929	-	-	(15,836)	(12,907)
disposals	(532)	(101)	(1,599)	-	(2,232)
reclass to investment property	(1,098)	-	-	-	(1,098)
<b>31 December 2004</b>	<b>45,188</b>	<b>4,017</b>	<b>11,762</b>	<b>177,159</b>	<b>238,126</b>
<b>Accumulated depreciation</b>					
<b>31 December 2003</b>	<b>2,983</b>	<b>1,830</b>	<b>6,174</b>	-	<b>10,987</b>
charge for the year	720	516	1,011	-	2,247
disposals	(533)	(76)	(1,008)	-	(1,617)
reclass to investment property	(1,098)	-	-	-	(1,098)
<b>31 December 2004</b>	<b>2,072</b>	<b>2,270</b>	<b>6,177</b>	-	<b>10,519</b>
<b>Net book value</b>					
<b>31 December 2003</b>	<b>30,497</b>	<b>1,286</b>	<b>4,743</b>	<b>184,539</b>	<b>221,065</b>
<b>31 December 2004</b>	<b>43,116</b>	<b>1,747</b>	<b>5,585</b>	<b>177,159</b>	<b>227,607</b>

As of 31 December 2004 tangible fixed assets of the Group include investment property with the net book value of LTL'000 20,520 (2003: LTL'000 1,814), which are classified under buildings and other real estate category. The investment property fair value was revalued as of 31 December 2004 by independent assets appraisers UAB "Panta". The fair value of buildings was determined under the market value basis.

As of 31 December 2004 building under construction in the amount of LTL'000 177,159 (2003: 184,539) represents building under construction located in Moscow, Russia (Note 40).

Building, owned by UAB "Ūkio banko lizingas" (100% owned subsidiary of the Bank), with net book value of LTL'000 738 as of 31 December 2004 (2003: LTL'000 861) is pledged to UAB "Bonum Publicum" for the securization of the loan payable to UAB "Bonum Publicum".

## Investment property movement table

LTL thousand

The Group		The Bank
<b>1,814</b>	<b>Fair value as of 31 December 2003</b>	-
10,410	Investment property additions	-
7,228	Reclasses from fixed assets	7,177
-	Investment property disposals	-
1,068	Gain (loss) arising from a change in the fair value	739
<b>20,520</b>	<b>Fair value as of 31 December 2004</b>	<b>7,916</b>

**NOTE 11****Other assets**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Other assets:</b>		
181	291	foreclosed assets	181	291
8,891	10,928	accounts receivable from sale of assets	16,336	10,928
12,252	-	prepayments	12,252	-
2,337	17,200	other receivables	1,008	2,321
<b>23,661</b>	<b>28,419</b>	<b>Total other assets</b>	<b>29,777</b>	<b>13,540</b>
		<b>Less: specific provisions</b>		
-	(136)	on foreclosed assets	-	(136)
(262)	(518)	on receivables from sale of assets	(262)	(518)
(786)	-	on prepayments	(786)	-
(8)	(111)	on other receivables	(8)	(111)
<b>(1,056)</b>	<b>(765)</b>	<b>Total specific provisions</b>	<b>(1,056)</b>	<b>(765)</b>
(30)	-	General provision	(28)	-
<b>22,575</b>	<b>27,654</b>	<b>Total other assets, net</b>	<b>28,693</b>	<b>12,775</b>

The movement of specific provisions for 2004 and 2003 is the following:

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
<b>765</b>	<b>1,232</b>	<b>Specific provisions at the beginning of the year</b>	<b>765</b>	<b>1,232</b>
		<b>Increase in specific provisions:</b>		
1,725	1,520	due to increased risk	1,725	1,520
-	-	due to changes in foreign currency rate	-	-
		<b>Decrease of specific provisions:</b>		
(1,322)	(1,987)	due to decreased or eliminated risk	(1,322)	(1,987)
(75)	-	due to write-off of accrued income	(75)	-
(37)	-	due to changes in foreign currency rate	(37)	-
<b>1,056</b>	<b>765</b>	<b>Specific provisions at the end of the year</b>	<b>1,056</b>	<b>765</b>

As of 31 December 2004 the Group and the Bank made LTL'000 30 and LTL'000 28 specific provision for total loan portfolio, respectively.

**Accrued income and deferred expenses**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
<b>9,697</b>	<b>4,459</b>	<b>Accrued income and deferred expenses</b>	<b>8,216</b>	<b>3,042</b>
(24)	(239)	Less: specific provisions	(24)	(239)
(2)	-	Less: general provisions	(1)	-
<b>9,671</b>	<b>4,220</b>	<b>Total accrued income and deferred expenses, net</b>	<b>8,191</b>	<b>2,803</b>

**NOTE 12****Provisions for off-balance sheet liabilities**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
<b>292</b>	<b>-</b>	<b>Provisions for off-balance sheet liabilities at the beginning of the year</b>	<b>292</b>	<b>-</b>
(317)	-	decrease in provisions for off-balance sheet liabilities	(317)	-
6	-	due to changes in foreign currency rate	6	-
22	292	increase in provisions for off-balance sheet liabilities	22	292
<b>3</b>	<b>292</b>	<b>Provisions for off-balance sheet liabilities at the end of the year</b>	<b>3</b>	<b>292</b>

**NOTE 13****Due to banks and other credit and financial institutions**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
<b>507,775</b>	<b>295,446</b>	<b>Due to banks and other credit and financial institutions</b>	<b>509,061</b>	<b>296,249</b>
55,335	16,396	Due to correspondent banks	55,335	16,396
452,440	279,050	Deposits	453,726	279,853
61,818	19,503	including collateralized deposits for the loans granted	61,818	19,503
-	-	Repurchase agreements	-	-
23,376	22,260	Loans:	736	2,214
-	3,000	falling due within one year	-	-
23,376	19,260	falling due after one year	736	2,214
<b>531,151</b>	<b>317,706</b>	<b>Total amounts due to banks and other credit and financial institutions</b>	<b>509,797</b>	<b>298,463</b>

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.

Building, owned by UAB "Ūkio banko lizingas" (100% owned subsidiary of the Bank), with net book value of LTL'000 738 as of 31 December 2004 (2003: LTL'000 861) is pledged to UAB "Bonum Publicum" for the securization of the loan payable to UAB "Bonum Publicum".

**NOTE 14****Deposits and letters of credit**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Deposits and letters of credit:</b>		
315,494	157,603	Current and demand deposits	315,494	157,603
		<b>Term deposits, letters of credit</b>		
235,746	335,540	falling due within one year	220,429	335,540
316,878	29,367	falling due after one year	316,878	29,367
<b>868,118</b>	<b>522,510</b>	<b>Total deposits and letters of credit</b>	<b>852,801</b>	<b>522,510</b>

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Current and demand deposits</b>		
264,034	157,603	Companies	264,034	123,230
51,460	34,373	Individuals	51,460	34,373
<b>315,494</b>	<b>157,603</b>		<b>315,494</b>	<b>157,603</b>
		<b>Term deposits</b>		
84,843	41,202	Companies	84,843	41,202
467,781	323,705	Individuals	452,464	323,705
<b>552,624</b>	<b>364,907</b>		<b>537,307</b>	<b>364,907</b>
<b>868,118</b>	<b>522,510</b>	<b>Total deposits and letters of credit</b>	<b>852,801</b>	<b>522,510</b>

**NOTE 15****Special and lending funds**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Special and lending funds:</b>		
-	-	International organizations funds	-	-
-	-	Government funds	-	-
-	-	Privatization funds	-	-
3,282	573	Compulsory social and health insurance funds	3,282	573
-	-	Other funds	-	-
<b>3,282</b>	<b>573</b>	<b>Total special and lending funds</b>	<b>3,282</b>	<b>573</b>



**NOTE 16****Debt securities issued**

At 31 December 2004 had term bills issued with par value of LTL'000 805 (2003: LTL'000 3,797). The term bills are sold at a discount and their carrying value was LTL'000 786 (2003: LTL'000 3,797). The annual interest rate for term bills is 4.38%.

**NOTE 17****Subordinated loans and other liabilities**

At 31 December 2004 Bank had two subordinated loans amounting to USD'000 3,000 (LTL'000 7,604).

On 30 May 2004 the Bank signed two subordinated loans agreements for USD'000 3,000 with Great Britain company SAMSUNG U.K. Limited.

On 1 July the Bank has received first subordinated loan in the amount of USD'000 1,500. The annual interest rate was 12 month USD LIBOR, which as of 31 December 2004 was 2.385%. The loan and accrued interest should be repaid till 1 July 2009 or be converted to newly issued shares.

At 30 December 2004 the Bank has received second subordinated loan in the amount of USD'000 1,500. The annual interest rate was 12 month USD LIBOR, which according to the agreement will be calculated from 7 January 2005. The loan and accrued interest should be repaid till 7 January 2010 or be converted to newly issued shares.

Bank of Lithuania by order No. 121 dated 21 June 2004 and order No. 18 dated 3 February 2005 gave permission to include subordinated loans to Bank's tier 2 capital.

**Other liabilities of the Group and the Bank are composed from the following:**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Other liabilities:</b>		
-	8,540	payables to suppliers	-	-
13,419	3,761	prepayments from customers for finance leases	-	-
28	1,448	factoring liabilities	28	1,448
3,678	1,078	suspense accounts	3,678	1,078
300	216	deposit insurance accrued expenses	300	216
182	37	finance lease payable	2,504	2,795
2,562	3,372	other liabilities	3,393	3,207
<b>20,169</b>	<b>18,452</b>	<b>Total other liabilities</b>	<b>9,903</b>	<b>8,744</b>

**NOTE 18****Profit distribution****The profit of the Bank was distributed as follows:**

LTL thousand

	2004	2003
<b>Retained earnings and other reserves at the beginning of the year</b>	<b>814</b>	<b>(4,110)</b>
Net profit for the year	5,966	4,924
Distributable profit	6,780	4,924
<b>Distribution:</b>		
legal reserve	339	-
transferred to accumulated loss	-	4,924
reserve capital	-	-
dividends	-	-
bonuses	-	-
other reserves	-	-
<b>Undistributed retained earnings at the end of the year</b>	<b>6,441</b>	<b>814</b>

**NOTE 19****Other off-balance sheet liabilities****The Bank**

LTL thousand

2004				
Derivative financial instruments	Foreign exchange purchase/sale agreements	Interest rate agreements	Related to equity	Other
<b>Claims</b>	<b>24,384</b>	-	-	-
Forward	7,214	-	-	-
Swaps	17,170	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Future	-	-	-	-
<b>Liabilities</b>	<b>23,471</b>	-	-	-
Forward	7,180	-	-	-
Swaps	16,291	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Future	-	-	-	-

**The Group**

LTL thousand

2004				
Derivative financial instruments	Foreign exchange purchase/sale agreements	Interest rate agreements	Related to equity	Other
<b>Claims</b>	<b>8,191</b>	-	-	-
Forward	7,214	-	-	-
Swaps	977	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Future	-	-	-	-
<b>Liabilities</b>	<b>8,154</b>	-	-	-
Forward	7,180	-	-	-
Swaps	974	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Futures	-	-	-	-

**Other off-balance sheet liabilities and claims:**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Other off-balance sheet liabilities and claims</b>		
		<b>Liabilities</b>		
188	1,878	Assets purchase agreements	646	1,878
98	107	One time security bond	98	107
412,384	1,076,223	Spot	412,384	1,076,223
<b>412,670</b>	<b>1,078,208</b>	<b>Total liabilities</b>	<b>413,128</b>	<b>1,078,208</b>
		<b>Claims</b>		
-	-	Assets purchase agreements	-	-
-	-	One time security bond	-	-
412,380	1,076,223	Spot	412,380	1,076,223
<b>412,380</b>	<b>1,076,223</b>	<b>Total claims</b>	<b>412,380</b>	<b>1,076,223</b>

**NOTE 20****Other interest and related income**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Other interest and related income:</b>		
269	-	Interest under discounted promissory notes	269	-
269	-	<b>Total other interest and related income</b>	<b>269</b>	<b>-</b>

**NOTE 21****Capital adequacy**

The the Group's and Bank's capital adequacy ratio is calculated according to the rules approved under the Resolution No. 172 of Board of Bank of Lithuania passed on 21 December 2000. Starting from 1 December 2004, the capital adequacy ratio set by Bank of Lithuania is to be at least 8 percent of the Group's and the Bank's capital (it was 10 percent before 1 December 2004)

**The changes in the capital adequacy ratio during 2004 (quarterly) are presented in the table below:**

Percent

	The Bank	The Group
31 December 2003	13.03	12.84
31 March 2004	11.88	11.81
30 June 2004	11.21	11.70
30 September 2004	10.36	10.76
31 December 2004	9.92	10.13

**NOTE 22****Liquidity**

The Financial Group's, the Group's and the Bank's liquidity ratio is calculated according to the rules approved under the Resolution No. 1 passed on 29 January 2004 by Board of Bank of Lithuania. According to these rules, the liquidity ratio is to be at least 30 percent.

**The fluctuations of the liquidity ratio of the the Group and the Bank during 2004 are shown below:**

Reporting dates	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
31 December 2003	404,657	738,203	54.82	412,304	774,134	55.41
31 January 2004	589,400	895,481	65.82	N/D	N/D	N/D
29 February 2004	882,653	1,204,013	73.31	N/D	N/D	N/D
31 March 2004	562,158	931,182	60.37	568,828	929,849	61.17
30 April 2004	620,400	962,846	64.43	N/D	N/D	N/D
31 May 2004	439,663	993,694	44.25	N/D	N/D	N/D
30 June 2004	508,989	1,066,669	47.72	517,417	1,071,899	48.27
31 July 2004	527,659	1,114,440	47.35	N/D	N/D	N/D
31 August 2004	541,143	1,175,014	46.05	N/D	N/D	N/D
30 September 2004	488,626	1,090,322	44.81	498,067	1,107,819	44.96
31 October 2004	514,382	1,120,009	45.93	N/D	N/D	N/D
30 November 2004	479,063	1,112,148	43.08	N/D	N/D	N/D
31 December 2004	475,615	1,191,299	39.92	486,319	1,220,900	39.83

As of 31 December 2004 the Bank's assets and liabilities by remaining period of maturity were as follows:

LTL thousand

	Up to 1 month	1–3 month	1–12 month	1–5 years	5 years and up	Unlimited period	Total
<b>Assets:</b>							
Cash	11,113	-	-	-	-	-	11,113
Funds with central banks	24,621	-	-	-	-	46,626	71,247
Claims on other banks and financial institutions	656,946	22,437	110,881	126,931	74,302	-	991,497
Loans granted	30,229	31,032	90,762	101,436	12,424	957	266,840
Leasing	-	-	-	-	-	-	-
Acquired deposit certificates	-	-	-	-	-	-	-
Debt securities	3,161	6,484	5,838	20,703	42,095	-	78,281
Ownership securities	-	-	-	-	-	29,271	29,271
Fixed assets	-	-	-	-	-	22,994	22,994
Other assets	2,072	518	2,759	7,221	9,111	16,525	38,206
<b>Total assets</b>	<b>728,142</b>	<b>60,471</b>	<b>210,240</b>	<b>256,291</b>	<b>137,932</b>	<b>116,373</b>	<b>1,509,449</b>
<b>Liabilities:</b>							
Liability to the Bank of Lithuania	-	-	4,171	-	-	-	4,171
Liabilities to banks and other financial institutions	431,610	21,096	46,033	11,058	-	-	509,797
Deposits and special lending funds	418,244	105,898	281,475	50,105	361	-	856,083
Other liabilities	8,441	1,845	4,185	6,003	3,804	222	24,500
<b>Total liabilities</b>	<b>858,295</b>	<b>128,839</b>	<b>335,864</b>	<b>67,166</b>	<b>4,165</b>	<b>222</b>	<b>1,394,551</b>
<b>Net position</b>	<b>(130,153)</b>	<b>(68,368)</b>	<b>(125,624)</b>	<b>189,125</b>	<b>133,767</b>	<b>116,151</b>	<b>114,898</b>

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

LTL thousand

<b>Total assets</b>	<b>387,939</b>	<b>46,685</b>	<b>130,143</b>	<b>103,039</b>	<b>3,192</b>	<b>284,048</b>	<b>955,046</b>
<b>Total liabilities</b>	<b>494,699</b>	<b>78,050</b>	<b>230,863</b>	<b>36,887</b>	<b>-</b>	<b>5,616</b>	<b>846,115</b>
<b>Net position</b>	<b>(106,760)</b>	<b>(31,365)</b>	<b>(100,720)</b>	<b>66,152</b>	<b>3,192</b>	<b>278,432</b>	<b>108,931</b>

As of 31 December 2004 the Group's assets and liabilities by remaining period of maturity were as follows:

LTL thousand

	Up to 1 month	1–3 month	1–12 month	1–5 years	5 years and up	Unlimited period	Total
<b>Assets:</b>							
Cash	11,113	-	-	-	-	-	11,113
Funds with central banks	24,621	-	-	-	-	46,626	71,247
Claims on other banks and financial institutions	653,601	13,619	52,109	-	-	-	719,329
Loans granted	31,438	32,492	96,435	104,918	14,921	957	281,161
Leasing	13,580	18,720	54,190	24,184	-	-	110,674
Acquired deposit certificates	-	-	-	-	-	-	-
Debt securities	3,161	6,484	5,838	20,703	42,095	-	78,281
Ownership securities	-	-	-	-	-	24,531	24,531
Fixed assets	-	-	-	-	-	229,415	229,415
Other assets	3,284	638	3,091	6,485	2,989	16,201	32,688
<b>Total assets</b>	<b>740,798</b>	<b>71,953</b>	<b>211,663</b>	<b>156,290</b>	<b>60,005</b>	<b>317,730</b>	<b>1,558,439</b>
<b>Liabilities:</b>							
Liability to the Bank of Lithuania	-	-	4,171	-	-	-	4,171
Liabilities to banks and other financial institutions	430,324	21,096	50,673	29,058	-	-	531,151
Deposits and special lending funds	428,452	111,007	281,475	50,105	361	-	871,400
Other liabilities	21,155	2,263	4,810	4,612	3,804	175	36,819
<b>Total liabilities</b>	<b>879,931</b>	<b>134,366</b>	<b>341,129</b>	<b>83,775</b>	<b>4,165</b>	<b>175</b>	<b>1,443,541</b>
<b>Net position</b>	<b>(139,133)</b>	<b>(62,413)</b>	<b>(129,466)</b>	<b>72,515</b>	<b>55,840</b>	<b>317,555</b>	<b>114,898</b>

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

LTL thousand

<b>Total assets</b>	<b>397,745</b>	<b>55,465</b>	<b>153,035</b>	<b>69,276</b>	<b>3,192</b>	<b>306,515</b>	<b>985,228</b>
<b>Total liabilities</b>	<b>506,514</b>	<b>81,372</b>	<b>231,276</b>	<b>51,704</b>	<b>-</b>	<b>5,431</b>	<b>876,297</b>
<b>Net position</b>	<b>(108,769)</b>	<b>(25,907)</b>	<b>(78,241)</b>	<b>17,572</b>	<b>3,192</b>	<b>301,084</b>	<b>108,931</b>

**NOTE 23****Open foreign currency position**

Pursuant to Regulations for Calculation of Capital Adequacy approved by Resolution No. 172 of the Board of Bank of Lithuania passed on 21 December 2000, starting from 1 December 2004 total open positions of Foreign Exchange (except Euro) are required not to exceed 25 percent of the Group's and the Bank's main capital, and the maximum position of a single foreign currency (except Euro) and precious metal are required not to exceed 15 percent of the Group's and the Bank's main capital (before 1 December 2004, total open positions of foreign exchange were required not to exceed 25 percent of the Group's and the Bank's accounted capital and maximal open position of a single foreign currency and precious metals not to exceed 15 percent of the Group's and the Bank's main capital).

The Group				The Bank	
Position	Position as percentage of capital		Rates	Position	Position as percentage of capital
1,620	1.39	U.S. Dollars (USD)	2.5345	(742)	(0.69)
49	0.04	Convertible Marks (BAM)	1.7483	49	0.05
121	0.10	Swedish Crone (SEK)	0.3825	121	0.11
85	0.07	Latvian Latas (LVL)	4.9527	85	0.08
122	0.11	Other currencies (long position)	Various	119	0.11
(106)	(0.09)	Other currencies (short position)	Various	(106)	(0.10)
1,997	1.72	Total of long position (+)	-	374	0.35
(106)	(0.09)	Total of short position (-)	-	(848)	(0.79)
<b>1,997</b>	<b>1.72</b>	<b>Total open position</b>	<b>-</b>	<b>848</b>	<b>0.79</b>

Total open foreign currency position has fluctuated from 5.52% till 12.2% during 2004. The biggest open foreign currency position was in Euros and has fluctuated from 4.99% till 11.03%.

**NOTE 24****Subsequent events**

There were no significant subsequent events after the balance sheet date related to the financial year that could exercise a financial impact on the the Group's or the Bank's financial results or financial position.

**NOTE 25****Related party transactions****The Bank**

	Members of the Board	Members of the Council	Shareholders	Other related parties
<b>2004</b>				
Loans, financial lease, LTL thousand	95	135	14,955	261
Average interest rate, %	4.5	6.36	7	4
Deposits, LTL thousand	30	460	623	47
Average interest rate, %	-	0.39	0.36	0.02
<b>2003</b>				
Loans, financial lease, LTL thousand	86	351	-	-
Average interest rate, %	5.43	5.81	-	-
Deposits, LTL thousand	17	4	57	-
Average interest rate, %	3.46	1.09	0.19	-

As of 31 December 2004 and for the year then ended Bank's related party transactions were as follows:

LTL thousand

Related parties	Payables	Receivables	Income received	Expenses
UAB "Ūkio banko lizingas"	2,352	70,868	7,076	812
UAB "Optimalus turto valdymas"	1,246	55,921	2,495	1,229
UAB "Turto valdymo sistemas"	14	51,087	1	11
UAB "Turto valdymo strategija"	7	51,075	1	11
UAB "Turto valdymo sprendimai"	18	51,093	1	11

### The Group

	Members of the Board	Members of the Council	Shareholders	Other related parties
<b>2004</b>				
Loans, financial lease, LTL thousand	95	135	14,955	261
Average interest rate, %	4.5	6.36	7	4
Deposits, LTL thousand	30	460	623	74
Average interest rate, %	-	0.39	0.36	0.33
<b>2003</b>				
Loans, financial lease, LTL thousand	86	351	-	-
Average interest rate, %	5.43	5.81	-	-
Deposits, LTL thousand	17	4	57	53
Average interest rate, %	3.46	1.09	0.19	3.88

Other related parties include the Bank's and its subsidiaries' heads of administration and their close relatives.

### NOTE 26

#### Collateralisation of non-performing loans (falling under the risk groups III, IV and V) and watch loans (falling under the risk group II) by real estate or other assets

As of 31 December 2004 the outstanding principle and accrued interest receivable of the watch loans falling under II risk category by collateral type was as follows:

LTL thousand

	Loan balance	Collateral value
II group	63,018	56,727
III group	22,433	10,503
IV group	2,247	2,160
V group	564	-

Pledged real estate is stated at market value, meaning that assets could be exchanged in the market in a relatively short period of time with minimum losses to the Bank. In order to reduce risks, the lowest market value of the similar assets has been chosen also other factors that may impact collateral quality and value have been taken into consideration. All collaterals were valued by the Bank's appraisers or independent appraisers having valid assets appraiser's certificates. The value of collateral is reviewed on a regular basis. Such assets as inventories, amounts receivable are pledged at their book value.

The Bank had no money funds, investments in and guarantees to other credit institutions in respect of which by the decision of court a bankruptcy procedure was initiated or an administrator was appointed.

Production premises are less liquid, mainly subject of interest for Lithuanian and foreign production undertakings. In majority cases the production premises are pledged together with machinery and equipment installed, therefore would have value as a ready-to-run business. There were no significant changes in the production premises market in 2004.

**NOTE 27****Activities of the brokerage department**

**In 2004 the Brokerage Department was rendering the following services:**

- participating in the auctions arranged by the Government of Lithuania;
- sale and purchase of securities at the National Stock Exchange and over-the-counter;
- securities portfolio management;
- advising on investment in securities;
- securities accounting and custody;
- other securities related services.

During 2004 the brokerage department completed 798 transactions with the total value of LTL'000 37,397. Total value of securities accounted for by the brokerage department as of 31 December 2004 was LTL'000 112,381, comprising of LTL'000 79,630 of Government T-bonds and LTL'000 34,101 equity securities of private enterprises.

Equity securities of private enterprises comprised of equity securities of Lithuanian credit and financial institutions in the amount of LTL'000 3,023, equity securities of foreign banks in the amount of LTL'000 3,297 and equity securities of other Lithuanian private enterprises in the amount of LTL'000 23,836, (LTL'000 1,521 out of which were listed in the official and current list of the National Stock Exchange of Lithuania).

The Bank's own debt securities portfolio comprised of Lithuanian government issued securities in the amount of LTL'000 29,748, foreign countries government and international development banks debt securities in amount of LTL'000 44,019 and foreign private entities debt securities in amount of LTL'000 4,513.

***AB Ūkio bankas shares***

The Banks shares are traded in National Stock Exchange (NSE). The Bank's share ISIN code is LT00001023252. At 31 December 2004 at the end of trading session *AB Ūkio bankas* share price was 7.28 LTL, at this price the Bank's capitalization was LTL'000 64,736.

**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 2004 and 2003 were LTL'000 14,965 and LTL'000 13,406, respectively. At 31 December 2004 and 2003, the Group employed 421 and 379 employees, respectively.

The Bank's personnel expenses for the years ended 31 December 2004 and 2003 were LTL'000 13,090 and LTL'000 12,040, respectively. At 31 December 2004 and 2003, the Bank employed 363 and 332 employees, respectively.

**NOTE 29****Share capital**

Issued share capital as of 31 December 2004 consisted of 8,892,333 (31 December 2003: 8,892,333) ordinary shares with par value of LTL 12 each. All shares are fully paid.

On 24 October 2003 the share capital of the Bank was increased by LTL'000 16,000. New 1,333,333 ordinary shares with par value of LTL 12 each were issued and paid in cash.

No dividends were paid or proposed during 2004 and 2003.

**NOTE 30****Compliance with the regulatory requirements**

At 31 December 2004 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 31 Income tax

At 31 December income tax expense composed as follows:

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
695	12	Current tax	497	-
-	-	Deferred tax (Note 32)	-	-
<b>695</b>	<b>12</b>	<b>Total</b>	<b>497</b>	<b>-</b>

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

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
6,661	4,936	Profit before tax	6,463	4,924
999	740	Tax calculated at a tax rate of 15%	970	739
(1,220)	(994)	Tax effect of income not subject to tax	(865)	(981)
1,176	578	Tax effect of expenses not deductible in determining taxable profit	652	554
(260)	(312)	Tax loss utilized	(260)	(312)
<b>695</b>	<b>12</b>	<b>Income tax expense</b>	<b>497</b>	<b>-</b>
10.43	0.24	Effective tax rate, %	7.68	0.00

### NOTE 32 Deferred income tax

The valuation allowance has been recorded against the net deferred tax asset as the management believes it would not be prudent to recognize such an asset, which, in the current circumstances, it is not likely to be realized in the foreseeable future.

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
-	-	At the beginning of the year	-	-
(184)	(604)	Current year changes in deferred tax liabilities	4	(778)
350	384	Current year changes in deferred tax assets	594	312
(166)	(220)	Changes in valuation allowance	(598)	466
-	-	<b>Total assets</b>	<b>-</b>	<b>-</b>

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

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
		<b>Deferred income tax liabilities</b>		
4	188	Deferred income	4	-
<b>4</b>	<b>188</b>		<b>4</b>	<b>-</b>
		<b>Deferred income tax assets</b>		
(36)	-	Accrued expense	(7)	-
(232)	-	Provisions	(17)	-
-	(618)	Tax loss carried forward	-	(618)
<b>(268)</b>	<b>(618)</b>		<b>(24)</b>	<b>(618)</b>
264	430	Valuation allowance	20	618
-	-	<b>Total assets</b>	<b>-</b>	<b>-</b>



### NOTE 33 Provisions

Movements in the provision for loan and interest losses, for loan portfolio and other assets for the years ended 31 December are as follows:

#### The Bank

LTL thousand

	Loan and interest loss provisions	Provisions for loan portfolio	Other provisions	Total
<b>31 December 2002</b>	<b>4,818</b>	-	<b>1,232</b>	<b>6,050</b>
Reversal of provisions	(8,162)	-	(2,197)	(10,359)
Provisions written off (net)	(121)	-	(60)	(181)
Currency exchange rate effect	(27)	-	(38)	(65)
Provision charged	4,950	792	2,120	7,862
<b>31 December 2003</b>	<b>1,458</b>	<b>792</b>	<b>1,057</b>	<b>3,307</b>
Reversal of provisions	(3,949)	(144)	(1,639)	(5,732)
Provisions written off (net)	(175)	-	(75)	(250)
Currency exchange rate effect	(211)	-	(31)	(242)
Provision charged	6,190	610	1,747	8,547
<b>31 December 2004</b>	<b>3,313</b>	<b>1,258</b>	<b>1,059</b>	<b>5,630</b>

#### The Group

LTL thousand

	Loan and interest loss provisions	Provisions for loan portfolio	Other provisions	Total
<b>31 December 2002</b>	<b>4,818</b>	-	<b>1,849</b>	<b>6,667</b>
Reversal of provisions	(8,162)	-	(2,197)	(10,359)
Provisions written off (net)	(121)	-	(60)	(181)
Currency exchange rate effect	(27)	-	(38)	(65)
Provision charged	4,950	792	2,559	8,301
<b>31 December 2003</b>	<b>1,458</b>	<b>792</b>	<b>2,113</b>	<b>4,363</b>
Reversal of provisions	(3,949)	(144)	(1,939)	(6,032)
Provisions written off (net)	(175)	-	(75)	(250)
Currency exchange rate effect	(211)	-	(31)	(242)
Provision charged	6,190	610	2,426	9,226
<b>31 December 2004</b>	<b>3,313</b>	<b>1,258</b>	<b>2,494</b>	<b>7,065</b>

### NOTE 34 Other administrative expenses

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
12	21	Taxes	-	-
978	975	Maintenance of office equipment	667	562
676	542	Other services	669	542
463	343	Custodial expenses	438	309
750	717	Other expenses	596	462
<b>2,879</b>	<b>2,598</b>	<b>Total other administrative expenses</b>	<b>2,370</b>	<b>1,875</b>

### NOTE 35 Other income

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
10	285	Fines and penalties received	19	285
1,005	1,188	Rent income	567	1,188
35	157	Gain on sale of fixed assets	1,028	157
5,879	1,505	Other income	1,714	864
<b>6,929</b>	<b>3,135</b>	<b>Total other banking expense</b>	<b>3,328</b>	<b>2,494</b>

**NOTE 36****Other expenses**

LTL thousand

The Group			The Bank	
2004	2003		2004	2003
2,986	2,178	Payments to the Deposit Insurance Fund	2,986	2,178
1,659	1,051	Taxes	1,473	935
2,526	2,096	Charity	1,961	1,894
383	298	Rent	258	298
649	604	Maintenance of foreclosed and leased assets	649	604
4,963	3,319	Other expenses	1,996	2,070
<b>13,166</b>	<b>9,546</b>	<b>Total other expenses</b>	<b>9,323</b>	<b>7,979</b>

**NOTE 37****Contingencies and commitments**

Finance lease – as of 31 December 2004 the Bank has outstanding finance lease obligations under finance lease contracts in the amount of LTL'000 2,352 (31 December 2003: LTL'000 2,487). Minimum finance lease payment obligations are recorded on the balance sheet under liabilities. The Bank's obligations under finance leases are secured by the lessor's right to the leased assets. The Bank's finance lease obligations relate to lease contracts signed with the Bank's wholly owned subsidiary UAB "Ūkio banko lizingas".

Operating leases – The Bank rents offices, other premises and land for banking activities. The Bank has outstanding non-cancelable commitments in connection with the rental agreements as of 31 December 2003 amounting to LTL'000 11,610 (31 December 2003: LTL'000 2,795). The Bank's non-cancelable operating lease obligations relate to lease contracts signed with the Bank's wholly owned subsidiary UAB "Optimalus turto valdymas".

**At 31 December 2004 the future annual minimum commitments under leases were following:**

LTL thousand

For the year ending 31 December	Finance lease	Operating lease
2005	881	3,119
2006	745	1,207
2007	739	1,171
2008	291	1,089
2009	30	5,024
Thereafter	-	-
<b>Minimum lease payments</b>	<b>2,686</b>	<b>11,610</b>
Less: interest	334	-
<b>Present value of minimum lease payments</b>	<b>2,352</b>	<b>-</b>

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

**Litigation and claims** – As of 31 December 2004 and 2003 the Group was not involved in any legal proceedings except for those related to loan loss recovery.

**NOTE 38****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 Group and the Bank as of 31 December 2004 and 2003. The Group and the Bank are not aware of any factors that could have a material impact on the amounts of these fair values.

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities that at 31 December 2004 and 2003 had not been presented in the Group's and the Bank's balance sheet statements at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

**The Group**

LTL thousand

	2004		2003	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Financial Assets:</b>				
Due from other banks	719,329	718,775	352,572	352,301
Loans and advances to customers	266,840	270,021	173,130	175,245
Finance lease	110,674	112,429	77,415	78,316
<b>Financial Liabilities:</b>				
Due to other banks	531,151	531,788	317,706	317,856
Deposit accounts	868,118	918,795	522,510	553,012

**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.

**Due from other banks**

Due from other banks includes inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

**Loans 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 39****Credit risk**

The Group and the Bank takes on exposure to credit risk which is the risk that a counterpart will be unable to pay amounts in full when due. The Group and the Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, groups of borrowers, and to geographical or 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.

## 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 collateralized 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 2004 the Group has an exposure of LTL'000 177,159 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'000 297,807 as of 31 December 2004. As of 31 December 2004 these correspondent Nostro accounts are fully secured.

### NOTE 41

#### 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 exposure to foreign currency exchange rate risk at 31 December 2004. Included in the table are the Bank's and the Group's assets and liabilities at carrying amounts, categorized by currency.

#### The Bank

#### Concentrations of assets, liabilities and off balance sheet items as of 31 December 2004:

LTL thousand

	EUR	USD	LTL	Other	Total
<b>Assets</b>					
Cash	3,172	1,877	5,676	388	11,113
Due from Bank of Lithuania	46,626	-	24,621	-	71,247
Due from other banks	195,595	623,597	104,140	68,165	991,497
Loans and advances to customers	39,021	49,339	178,323	157	266,840
Debt securities	26,265	22,267	29,749	-	78,281
Equity securities	81	-	25,891	3,299	29,271
Fixed assets	-	-	22,994	-	22,994
Other assets	740	13,383	24,077	6	38,206
<b>Total assets</b>	<b>311,500</b>	<b>710,463</b>	<b>415,471</b>	<b>72,015</b>	<b>1,509,449</b>
<b>Liabilities</b>					
Due to other banks	58,954	388,936	6,171	59,907	513,968
Current and term deposit accounts	104,006	279,371	465,206	7,500	856,083
Other liabilities	2,793	10,621	10,931	156	24,501
<b>Total liabilities</b>	<b>165,753</b>	<b>678,928</b>	<b>482,308</b>	<b>67,563</b>	<b>1,394,552</b>
<b>Net balance sheet position</b>	<b>145,747</b>	<b>31,535</b>	<b>(66,837)</b>	<b>4,452</b>	<b>114,897</b>
<b>Credit commitments</b>	<b>19,823</b>	<b>5,603</b>	<b>31,198</b>	<b>-</b>	<b>56,624</b>
<b>Issued guaranties</b>	<b>4,545</b>	<b>1,544</b>	<b>5,177</b>	<b>3,560</b>	<b>14,826</b>

#### Concentrations of assets, liabilities and off balance sheet items as of 31 December 2003:

LTL thousand

<b>Total assets</b>	<b>163,228</b>	<b>427,071</b>	<b>308,917</b>	<b>55,830</b>	<b>955,046</b>
<b>Total liabilities</b>	<b>100,433</b>	<b>356,657</b>	<b>337,039</b>	<b>51,986</b>	<b>846,115</b>
<b>Net balance sheet position</b>	<b>62,795</b>	<b>70,414</b>	<b>(28,122)</b>	<b>3,844</b>	<b>108,931</b>
<b>Credit commitments</b>	<b>6,927</b>	<b>3,329</b>	<b>45,194</b>	<b>79</b>	<b>55,529</b>
<b>Issued guaranties</b>	<b>9,969</b>	<b>300</b>	<b>8,857</b>	<b>63</b>	<b>19,189</b>

## The Group

### Concentrations of assets, liabilities and off balance sheet items as of 31 December 2004:

LTL thousand

	EUR	USD	LTL	Other	Total
<b>Assets</b>					
Cash	3,172	1,877	5,676	388	11,113
Due from Bank of Lithuania	46,626	-	24,621	-	71,247
Due from other banks	195,389	436,713	19,062	68,165	719,329
Loans and advances to customers	39,021	49,339	192,644	157	281,161
Debt securities	26,265	22,267	29,749	-	78,281
Equity securities	81	-	21,153	3,297	24,531
Fixed assets	-	189,246	40,169	-	229,415
Other assets	4,779	13,384	125,193	6	143,362
<b>Total assets</b>	<b>315,333</b>	<b>712,826</b>	<b>458,267</b>	<b>72,013</b>	<b>1,558,439</b>
<b>Liabilities</b>					
Due to other banks	57,905	388,936	28,573	59,908	535,322
Current and term deposit accounts	104,006	294,688	465,210	7,496	871,400
Other liabilities	5,204	10,601	20,835	180	36,820
<b>Total liabilities</b>	<b>167,115</b>	<b>694,225</b>	<b>514,618</b>	<b>67,584</b>	<b>1,443,542</b>
<b>Net balance sheet position</b>	<b>148,218</b>	<b>18,601</b>	<b>(56,351)</b>	<b>4,429</b>	<b>114,897</b>
<b>Credit commitments</b>	<b>19,823</b>	<b>5,603</b>	<b>37,930</b>	<b>-</b>	<b>63,356</b>
<b>Issued guaranties</b>	<b>4,545</b>	<b>1,544</b>	<b>4,929</b>	<b>3,560</b>	<b>14,578</b>

### Concentrations of assets, liabilities and off balance sheet items as of 31 December 2003:

LTL thousand

<b>Total assets</b>	<b>163,008</b>	<b>436,588</b>	<b>329,802</b>	<b>55,830</b>	<b>985,228</b>
<b>Total liabilities</b>	<b>100,838</b>	<b>356,657</b>	<b>366,816</b>	<b>51,986</b>	<b>876,297</b>
<b>Net balance sheet position</b>	<b>62,170</b>	<b>79,931</b>	<b>(37,014)</b>	<b>3,844</b>	<b>108,931</b>
<b>Credit commitments</b>	<b>6,927</b>	<b>3,329</b>	<b>39,495</b>	<b>79</b>	<b>49,830</b>
<b>Issued guaranties</b>	<b>9,969</b>	<b>300</b>	<b>8,809</b>	<b>63</b>	<b>19,141</b>

**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 2004. 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.

**The Bank**

The table below summarizes the Bank's exposure to interest rate risks as of 31 December 2004:

LTL thousand

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>							
Cash	-	-	-	-	-	11,113	<b>11,113</b>
Due from Bank of Lithuania	-	-	-	-	-	71,247	<b>71,247</b>
Due from other banks	314,557	22,437	110,881	126,931	74,302	342,389	<b>991,497</b>
Loans and advances to customers	30,229	31,032	90,762	101,436	12,424	957	<b>266,840</b>
Debt securities	3,161	6,484	5,838	20,703	42,095	-	<b>78,281</b>
Equity securities	-	-	-	-	-	29,271	<b>29,271</b>
Fixed assets	-	-	-	-	-	22,994	<b>22,994</b>
Other assets	-	-	-	-	-	38,206	<b>38,206</b>
<b>Total assets</b>	<b>347,947</b>	<b>59,953</b>	<b>207,481</b>	<b>249,070</b>	<b>128,821</b>	<b>516,177</b>	<b>1,509,449</b>
<b>Liabilities</b>							
Due to other banks	8,893	21,096	50,204	11,058	-	422,717	<b>513,968</b>
Current and term deposit accounts	99,368	105,898	281,475	50,105	361	318,876	<b>856,083</b>
Other liabilities	-	-	8,390	-	-	16,111	<b>24,501</b>
<b>Total liabilities</b>	<b>108,261</b>	<b>126,994</b>	<b>340,069</b>	<b>61,163</b>	<b>361</b>	<b>757,704</b>	<b>1,443,542</b>
<b>Interest sensitivity gap</b>	<b>239,686</b>	<b>(67,041)</b>	<b>(132,588)</b>	<b>187,907</b>	<b>128,460</b>	<b>(241,527)</b>	<b>114,897</b>

The table below summarizes the Bank's exposure to interest rate risks as of 31 December 2003:

LTL thousand

<b>Total assets</b>	<b>157,937</b>	<b>46,175</b>	<b>127,839</b>	<b>93,987</b>	<b>3,192</b>	<b>525,916</b>	<b>955,046</b>
<b>Total liabilities</b>	<b>83,106</b>	<b>76,218</b>	<b>228,240</b>	<b>33,888</b>	<b>-</b>	<b>424,663</b>	<b>846,115</b>
<b>Interest sensitivity gap</b>	<b>74,831</b>	<b>(30,043)</b>	<b>(100,401)</b>	<b>60,099</b>	<b>3,192</b>	<b>101,253</b>	<b>-</b>

## The Group

The table below summarizes the Group's exposure to interest rate risks as of 31 December 2004:

LTL thousand

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>							
Cash	-	-	-	-	-	11,113	<b>11,113</b>
Due from Bank of Lithuania	-	-	-	-	-	71,247	<b>71,247</b>
Due from other banks	311,133	13,619	52,108	-	-	342,469	<b>719,329</b>
Loans and advances to customers	31,438	32,492	96,435	104,918	14,921	957	<b>281,161</b>
Leasing	13,580	18,720	54,190	24,184	-	-	<b>110,674</b>
Debt securities	3,161	6,484	5,838	20,703	42,095	-	<b>78,281</b>
Equity securities	-	-	-	-	-	24,531	<b>24,531</b>
Fixed assets	-	-	-	-	-	229,415	<b>229,415</b>
Other assets	-	-	-	-	-	32,688	<b>32,688</b>
<b>Total assets</b>	<b>359,312</b>	<b>71,315</b>	<b>208,571</b>	<b>149,805</b>	<b>57,016</b>	<b>712,420</b>	<b>1,558,439</b>
<b>Liabilities</b>							
Due to other banks	8,893	21,096	54,844	29,058	-	421,431	<b>535,322</b>
Current and term deposit accounts	109,575	111,007	281,475	50,105	361	318,877	<b>871,400</b>
Other liabilities	-	-	8,390	-	-	28,430	<b>36,820</b>
<b>Total liabilities</b>	<b>118,468</b>	<b>132,103</b>	<b>344,709</b>	<b>79,163</b>	<b>361</b>	<b>768,738</b>	<b>1,443,542</b>
<b>Interest sensitivity gap</b>	<b>240,844</b>	<b>(60,788)</b>	<b>(136,138)</b>	<b>70,642</b>	<b>56,655</b>	<b>(56,318)</b>	<b>114,897</b>

The table below summarizes the Group's exposure to interest rate risks as of 31 December 2003:

LTL thousand

<b>Total assets</b>	<b>165,712</b>	<b>54,949</b>	<b>145,963</b>	<b>60,224</b>	<b>3,192</b>	<b>555,188</b>	<b>985,228</b>
<b>Total liabilities</b>	<b>83,240</b>	<b>79,218</b>	<b>228,512</b>	<b>50,528</b>	<b>-</b>	<b>434,799</b>	<b>876,297</b>
<b>Interest sensitivity gap</b>	<b>82,472</b>	<b>(24,269)</b>	<b>(82,549)</b>	<b>9,696</b>	<b>3,192</b>	<b>120,389</b>	<b>-</b>

## NOTE 43

### Segment information

LTL thousand

	Banking	Finance lease	Other activities	Elimination	Group
<b>Revenues:</b>					
external	59,191	19,168	4,108	-	82,467
internal	9,312	243	1,264	(10,819)	-
	<b>68,503</b>	<b>19,411</b>	<b>5,372</b>	<b>(10,819)</b>	<b>82,467</b>
<b>Expenses:</b>					
external	59,181	10,554	148	-	69,883
internal	1,465	7,112	1,249	(9,826)	-
	<b>60,646</b>	<b>17,666</b>	<b>1,397</b>	<b>(9,826)</b>	<b>69,883</b>
Provisions	2,298	678	-	-	2,976
Depreciation	2,070	698	179	-	2,947
Income tax	497	197	1	-	695
<b>Net result for the year</b>	<b>2,992</b>	<b>172</b>	<b>3,795</b>	<b>(993)</b>	<b>5,966</b>
Assets	1,509,449	130,052	216,308	(297,370)	1,558,439
Liabilities	1,394,552	127,357	209,214	(287,581)	1,443,542

The Banking segment includes financial information of *AB Ūkio bankas*, Leasing segment includes financial information of UAB "Ūkio banko lizingas", Other activities segment includes financial information of UAB "Optimalus turto valdymas", UAB "Turto valdymo strategija", UAB "Turto valdymo sprendimai" and UAB "Turto valdymo sistemas".

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