ŪKIO BANKAS

Annual report | 2005

Contents

Supervisory Council

Liutauras Varanavičius
Chairman

Ulf Löwenhav
Deputy Chairman

Olga Gončaruk
Member

Ala Kurauskienė
Member

Leonas Rimantas Butkus
Member

Gražina Jakavičienė
Member

Viktor Soldatenko
Member

Liutauras Varanavičius
Chairman of the Supervisory Council

Board

Edita Karpavičienė
Chairwoman

Gintaras Ugianskis
Chief Executive Officer –
Deputy Chairman

Antanas Grigaliauskas
Member

Rolandas Balandis
Member

Arnas Žalys
Member

Chairwoman's Statement

Dear Clients and Partners,

Your trust and positive attitude towards the Bank's activities are fundamental factors for our growth and development. We are pleased to experience the growing confidence in us.

The year 2005 was significant to Ūkio bankas for the Bank's intensive expansion in Lithuania and the groundwork laid for the planned development abroad. By now it was the most profitable year with a three-fold increase of our profit compared to the previous years.

Good results stemmed from properly selected course of development and strategy, geographical expansion, attractiveness of our financial products, quality customer service and competence of the Bank's employees. The Bank resourcefully took maximum advantage of the positive macroeconomic situation in the country. We have attracted a number of new business and private clients. Steadily increasing number of new clients proves the growing confidence in the Bank.

Investors have also appreciated Ūkio bankas and the share price has increased almost three – fold during the year. The Bank saw a successful distribution and settlement of the new equity issue of LTL 20 million which guaranteed stable growth and expansion.

A syndicated loan of LTL 41.4 million extended by eight Western European banks had a positive influence on the Bank's development. It was the first syndicated loan granted to Ūkio bankas which raised an important possibility to attract western capital resources for the needs of Lithuanian economy. Having these funds in our disposition we can offer more competitive crediting terms to our clients. The syndicated loan also evidences the trust of the western banking market in Ūkio bankas activities.

The advent of western capital to eastern European economy through the banks in the form of syndicated loans is a significant and welcomed trend demonstrating the integration of western and eastern European financial markets and cooperation of businessmen as matching business partners. Ūkio bankas is proud to be an active participant in this integration process.

In 2005 Ūkio bankas continued intensifying the crediting of small and medium businesses and actively cooperated with national funds supporting and securing loans to businesses. We have made borrowing easier to many of our clients by advising and helping to use the support from the state.

With 15-years experience in Lithuanian market Ūkio bankas successfully matches old and new forms of services and has maintained a client service system that helps to establish a personal relationship between the Bank's employee and the client. These will remain the cornerstones of the Bank's position in the competitive Lithuanian banking market.

Edita Karpavičienė
Chairwoman of the Board

Edita Karpavičienė
Chairwoman of the Board

Key financial indicators for the year 2005

	Year 2004, LTL million	Year 2005, LTL million	Change, percent
Assets	1 503,5	2 183,8	45
Profit	7,6	19,6	158
Income	45,9	88,1	92
Shareholder's equity	110,1	149,3	36
Deposits	857,1	1 469,4	71
Loans to clients and financial institutions	587,7	937,9	60

Mission – the purport of our activity

Our mission is to be an attentive personal financial consultant for every client, a businessman and a private person, not only in towns but in the regions, too. We employ our knowledge, experience, products and services to assist every client in realizing their ideas and goals. Being part of our community we are committed to contribute to the economic prosperity we are all working at.

Vision – the perspective of our activities

We aim to become a highly rated financial institution able to respond swiftly to the changing market conditions and address our clients' needs and expectations. We are ready to cooperate with our clients, acting as a professional partner and being the best bank for them.

Our values

Partnership
Reliability
Goodwill
Transparency
Respect
Professionalism

Major event of the year 2005

03 01 2005 South Korean Corporation Samsung anticipated extending the second portion of the subordinated loan of USD 1.5 million to Ūkio bankas. Ūkio bankas entered into the agreement for a subordinated loan of USD 3 million to be made in two stages with a United Kingdom based Samsung's subsidiary Samsung UK Ltd. in the summer of 2004. This loan increased Ūkio bankas capital base by almost 6 percent.

29 03 2005 Ūkio bankas allocated LTL 1.076 million from previous year profit to dividends.

04 04 2005 Ūkio bankas opened a representative office in Moscow, the capital of Russia.

03 06 2005 the Bank joined the international initiative – United Nations Global Compact – for responsible business. This initiative is patronized by the President of the Republic of Lithuania Valdas Adamkus.

25 10 2005 Ūkio bankas in cooperation with telecommunications company Omnitel were the first in Lithuania to start implementing electronic signature technology in internet banking system.

02 11 2005 Ūkio bankas joined the campaign arranged by the United Nations Children's Fund (UNICEF) Lithuanian National Committee "Earthquake in South Asia – Help the Children to Survive" by collecting monetary donations for children suffering from earthquakes in Pakistan, Afghanistan and India.

09 11 2005 The Bank completed the placement of 366 days maturity bond issue of LTL 15 million nominal value. 150 000 nominal bonds were issued with 4.1 percent interest per annum.

21 11 2005 Eight western European banks granted a syndicated loan of EUR 12 million (LTL 41.4 million) to Ūkio bankas.

22 11 2005 The Bank completed the distribution of nominal value equity issue of LTL 20 million. 1 666 667 shares were subscribed and paid for. After the registration of the new issue the Bank's share capital increased from LTL 106.7 up to LTL 126.7 million.

14 12 2005 Ūkio bankas Supervisory Council selected two new members of the Board, namely Head of Finance Division Arnas Žalys and Ūkio banko lizingas Director Antanas Grigaliauskas.

23 12 2005 Ūkio bankas Extraordinary Shareholders Meeting adopted a resolution to increase the Bank's share capital by LTL 50 million up to LTL 176.7 million by issuing additional 50 million shares of the par value of LTL 1.

Expansion of our activities

2005 was the year of intensive expansion for Ūkio bankas. The opening of branch offices was of vital importance in certain Lithuanian towns, such as Visaginas, Utena, Telšiai, Radviliškis, Mažeikiai and Kretinga. These are economically viable areas officering profitable business perspectives, whereas the Bank had no direct service outlets there.

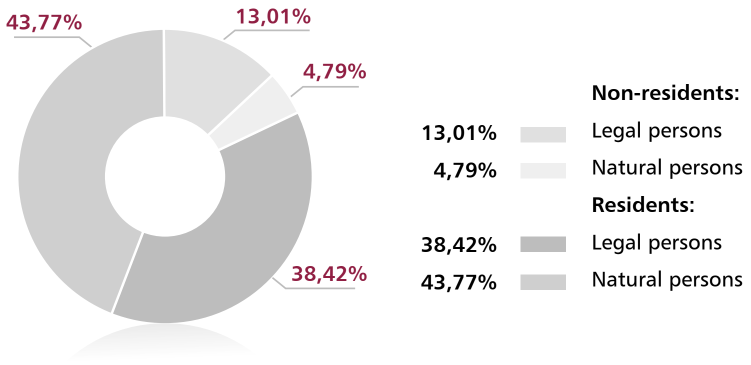
In 2005 the Bank opened 13 new Client Service Units in Vilnius, Kaunas, Marijampolė, Mažeikiai, Klaipėda, Kretinga, Druskininkai, Utena, Telšiai, Visaginas, Panevėžys and extended the customer service network up to 41 territorial subdivisions.

In 2005 foundations were laid for the planned expansion abroad. The Bank of Lithuania approved Ūkio bankas decisions and mediated for the bank's initiatives to start providing banking services in European Union countries, starting with United Kingdom and Greece. In 2006 the Bank expects to start providing financial services in Scotland and open a representative office in Kazakhstan.

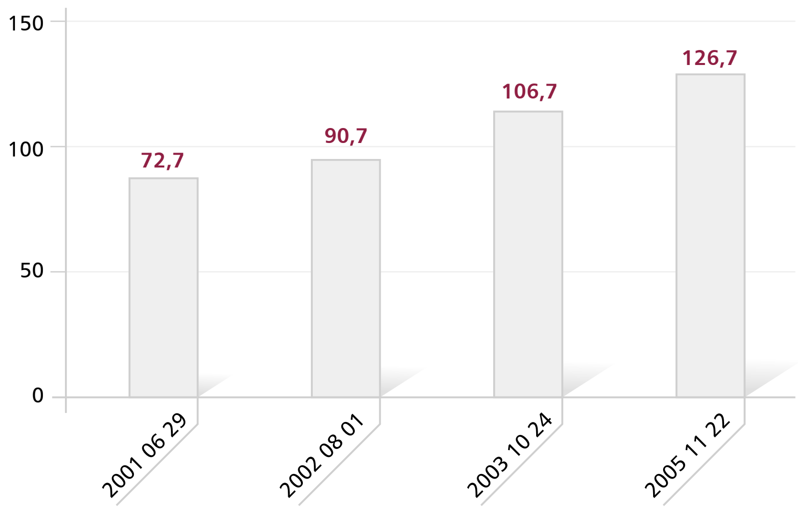
Share capital

In 2005 Ūkio bankas continued concentrating its share capital in the hands of legal and natural persons who owned over 82 percent of the Bank's shares at the end of the year.

The shareholder structure



Growth in share capital, LTL million



Share price on the Stock Exchange

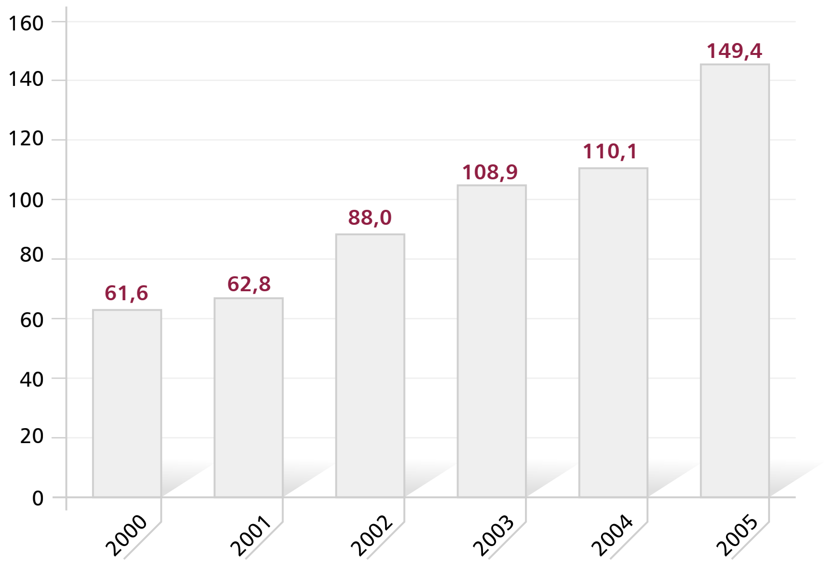
Investors were attracted by and interested in Ūkio bankas shares. The share price has tripled during the year.

Ūkio bankas share price growth, LTL

Capital

After successful placement of LTL 20 million equity issue and with LTL 19.7 million profit earned Ūkio bankas capital in 2005 LTL increased by more than one-third – LTL 39.3 million.

The growth in the Bank's capital, LTL million

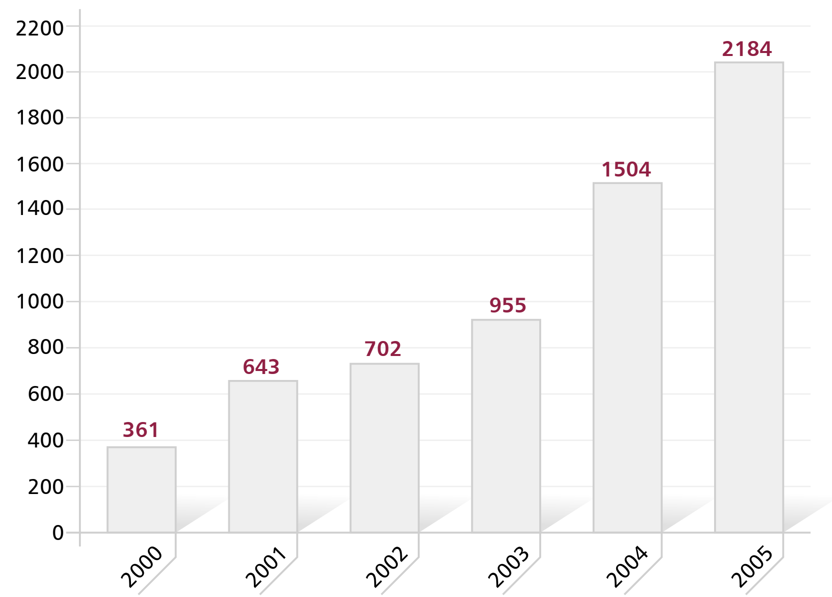


Review of key financial indicators

Assets

During the year 2005 the assets of the Bank grew by LTL 680 million or 45 percent and amounted to LTL 2.184 billion at the end of the year. The growth was basically driven by the considerable increase in the volume of the loan portfolio and the loan securities portfolio as well as deposits in banks. Ūkio bankas ranked seventh by its assets among the commercial banks operating in Lithuania. At the end of 2005 the share of Ūkio bankas assets in Lithuanian banking market was 4.9 percent.

Growth in Ūkio bankas assets, LTL million



Deposits

Deposits, the most important source of the Bank's assets growth, grew by 71 percent during 2005, i.e. by LTL 609 million and recorded at LTL 1.469 billion by the end of the year.

Deposits of business companies doubled during 2005 and by the end of the year amounted to LTL 726 million, making up almost half of all deposits held with the Bank. The number of legal persons holding time deposits with Ūkio bankas grew by 47 percent in 2005.

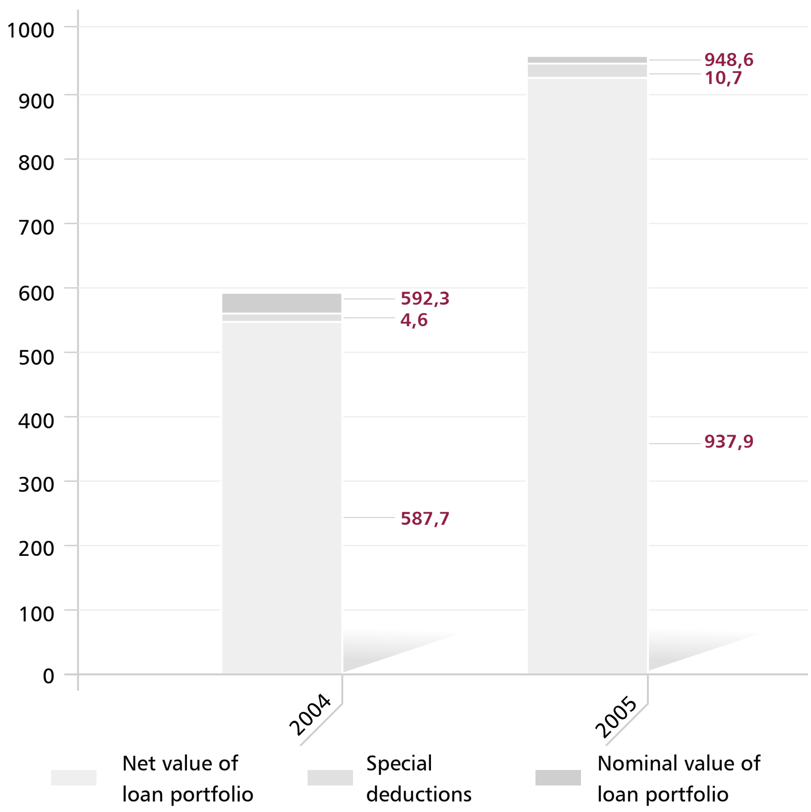
Funds of private individuals making up the other half of deposit portfolio grew by LTL 233 million or 46 percent during 2005 and by the end of the year amounted to LTL 743 million. 89 percent of resident deposits were time deposits. In 2005 the number of natural persons having term deposit accounts with the Bank increased by a forth.

The annual growth in the number of depositors and deposit amounts witness the Bank's reliability and the competitiveness of this product in the market.

Loans

2005 saw the growth in both the nominal and net value of Ūkio bankas loan portfolio. Compared to the year 2004 the loan portfolio grew by LTL 356 million (60 percent) and on 31 December 2005 the nominal value of the portfolio reached LTL 949 million.

The growth in Ūkio bankas gross loan portfolio, LTL million

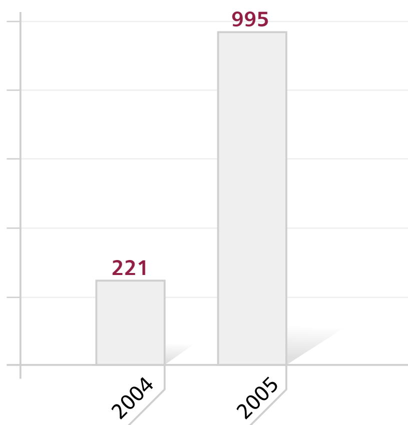


The Bank extended loans to businesses involved in financial mediation, wholesale and retail trade, real estate development, construction, transportation, agriculture and other activities.

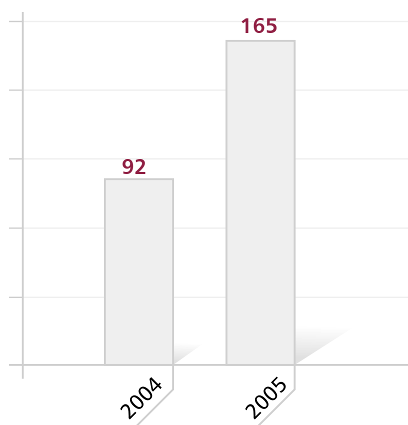
Trade financing

In 2005 trade financing was one of the most rapidly developing areas of business crediting. The volume of Ūkio bankas trade services grew much faster than in the previous years. With four and a half fold growth of factoring turnover during 2005 it resulted in LTL 995.35 million (LTL 220.81 million in 2004). Gross debt claims taken over by the Bank amounted to 99.68 million at the end of 2005, i.e. 2.7 times more than in 2004. Ūkio bankas has 18 percent of Lithuanian factoring market and ranks third among Lithuanian banks by the total factoring turnover.

Turnover of trade financing operations, LTL million



Factoring financing limits, LTL million



As in previous years international factoring caused the biggest growth in the Bank's income from factoring and accounts receivable contracts.

The growth in factoring services was mainly driven by the increasing interest of small and medium business sector in this service and proactive policy towards small and medium enterprises. More and more small and starting businessmen appreciate the merits of this service and use it. The competitiveness of goods exported by bigger companies and general macroeconomic processes also influenced a rapid growth of trade services.

Income

As a result of growing assets of the Bank, extension of service network, loyal customer base, increasing number of clients, volumes of services rendered and increasing interest rates in the market the Bank's income in 2005 compared to the year 2004 almost doubled. In 2005 the Bank earned LTL 88.1 million of gross income, i.e. LTL 42.2 million (92 percent) more than in 2004. All areas of the Bank's operation reflected growing income.

Net interest income accounted for 29 percent of the entire Bank's income in 2005. Compared to 2004 it has increased by LTL 15.1 million or 2.4 times.

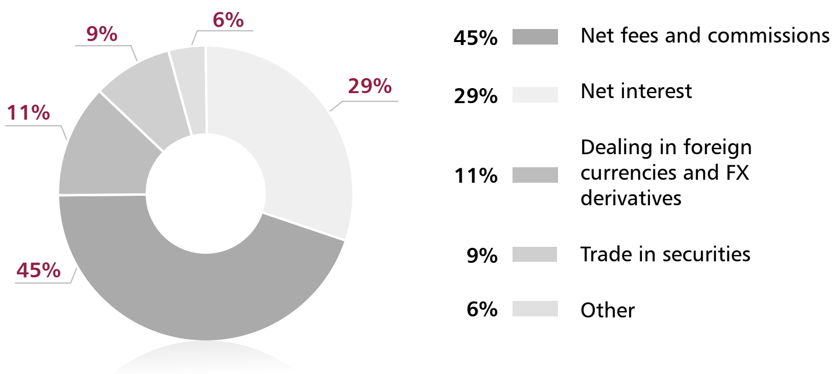
The growing number of clients, volumes of services rendered, and the streamlining of the Bank's pricing policy caused net fees and commissions to double (LTL 20.4 million or 2.1 fold growth) up to LTL 39.4 million. In 2005 net fee and commission income represented the biggest share in the Bank's income, namely 45 percent.

In 2005 the Bank earned LTL 10 million from foreign exchange and trade in FX derivatives, i.e. LTL 3.1 million or 44 percent more than in 2004. This income stands for 11 percent of the Bank's total income.

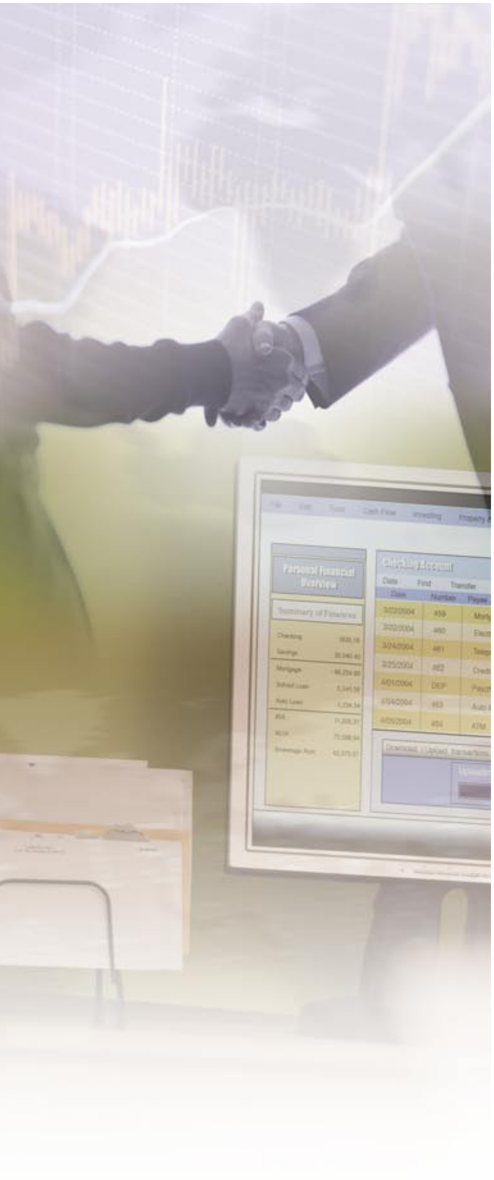
Securities yielded LTL 7.8 million earnings for the Bank during 2005 which is by LTL 1.7 million (27 percent) ahead of the year 2004. This income constitutes 9 percent the Bank's total income.

Other income of the Bank grew by LTL 1.9 million (56 percent) and amounted to LTL 5.2 million (6 percent of the Bank's total income).

The Bank's income structure



Subsidiaries



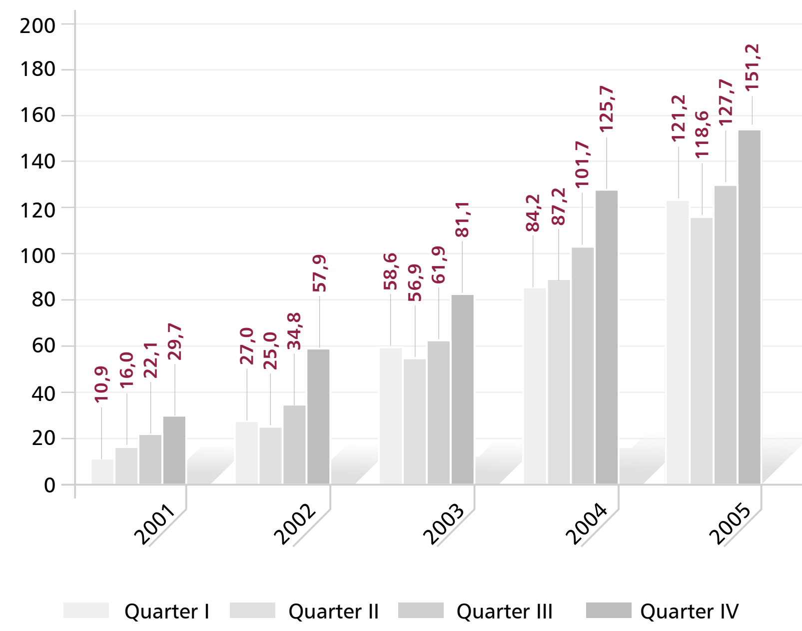
At the end of 2005 the Bank had the following subsidiaries: UAB Ūkio banko lizingas, UAB Turto valdymo strategija (Property Management strategy), UAB Turto valdymo sistemos (Property Management Systems), and UAB Turto valdymo sprendimai (Property Management Solutions).

The Bank's subsidiaries UAB Turto valdymo sprendimai, UAB Turto valdymo sistemos and UAB Turto valdymo strategija, who specialize in factoring and financial mediation also provide property management services to the Bank.

The year 2005 was profitable for Ūkio bankas Group with LTL 19.6 million earned in profits which is by LTL 8.8 million ahead of the year 2004.

In 2005 Ūkio banko lizingas portfolio showed a five-fold growth compared to 2004 with the value of portfolio reaching LTL 151 million at the end of the year. The growth of the leasing portfolio resulted from the company's proactive position in the market, continuously improved service quality and availability of the service in places of trade. The company successfully retained its positions in the niche of household goods, video and audio equipment, computer, furniture, construction materials and service leasing.

Growth in leasing portfolio, million LTL



International payment

In 2005 Ūkio bankas developed cooperation with foreign banks. Correspondent contacts are maintained with more than 500 banks, including active cooperation with US, European Union, Scandinavian and Russian banks. At the end of 2005 Ūkio bankas held correspondent Nostro accounts with more than 90 banks in 28 countries.

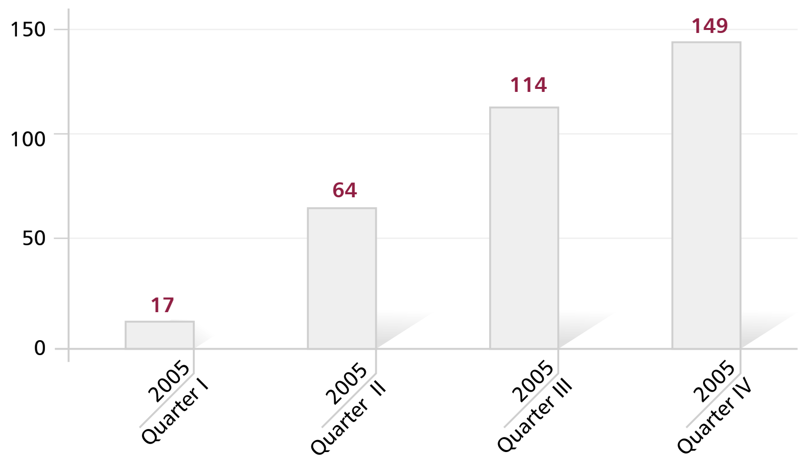
Ūkio bankas major world partners are Citibank N.A., Bank of Montreal, Commerzbank AG, Dresdner Bank AG, Deutsche Bank AG, Nordea Bank Group, Sberbank, UBS AG, Barclays Bank PLC and other banks.

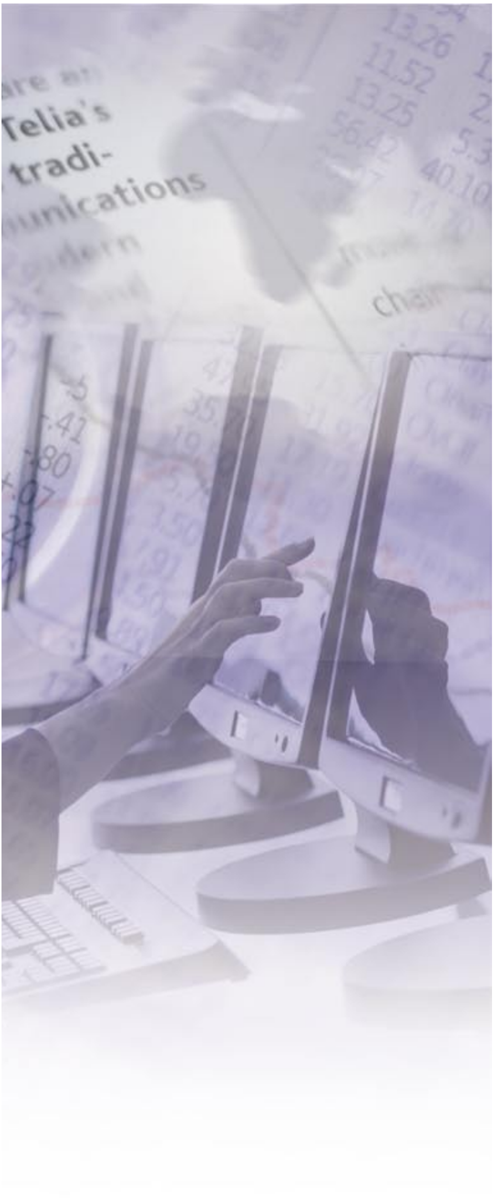
The year 2005 was very successful in the area of international payment services. International transactions grew by 86 percent, while the number of cash transfers made for natural persons increased 37 percent.

With the aim to better meet the clients' needs Ūkio bankas cooperates with three cash payment systems: CONTACT (since 2001), TMT (Travelex Money Transfer) (since 2005) and Unistream (since 2004).

During 2005 all Ūkio bankas branches and client service units provided Bank cheque and Traveller's cheque collection, buying and selling services.

Growth in international payments by quarters compared to the previous year average, percent





In the area of documentary transactions the amount of services rendered in 2005 outnumbered those of the previous years with a double number of LC operations accomplished.

The Bank was successful in providing both documentary collection and bank guarantee issuing services. The Bank's earnings from documentary transactions in 2005 were 2.7 times ahead of the year 2004.

In 2005 Ūkio bankas maintained close cooperation with correspondent banks in the funding of short-term and long-term trade projects. The value of projects co-financed with foreign banks was roughly LTL 4.3 million.

Syndicated loan

The year 2005 was successful for the Bank's first syndicated loan of EUR 12 million (LTL 41.4 million). Eight Western European banks extended a syndicated loan to Ūkio bankas. The loan was arranged and administered by the German Bank's HSH Nordbank AG subdivision in Copenhagen. HSH Nordbank AG is one of the strongest banks in Europe listed among 100 biggest banks of the world (holds position 68). HSH Nordbank AG subdivision in Copenhagen acts as the Bank's centre for Northern countries and enjoys the long-term liabilities rating Aa1 (by Moody's).

This syndicated loan is another step made by Ūkio bankas towards attracting resources of western capital markets for the needs of Lithuanian economy. The Bank intends to pursue active partaking in international capital markets as a reliable and prospective business partner. This loan proves the trust of western banking market in Ūkio bankas operations.

The syndicated loan was extended by HSH Nordbank AG, Landsbanki Luxembourg S.A., Hypo Alpe-Adria Bank International AG, Dresdner Bank AG, Oberbank AG, Landesbank Saar, Icebank hf., and Kopavogur Savings Bank.

Information on risks having significant influence on the Bank's financial status and operation results

Types of risk assumed by the Bank and its influence on the Bank's activities

Credit risk is the risk that Ūkio bankas customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities. Decision making procedures in the Bank, internal system of limits and management of contract party's risk ensure the appropriate structure of the Bank's loan portfolio and credit risk management.

Decisions to extend a loan or assume other credit risk are made in strict compliance with the credit approval level. The bigger lending risk the higher level decision is required.

Credit risk amount and structure is managed by the internal limit system. Limits are set for one borrower or group of borrowers, geographical segments, types of economic activities, separate client segments, and types of products acquired on credit. Limits are also set for separate borrowers, banks and brokers; limits are further restricted by sub-limits for balance and off-balance deals and daily risk limits for trade instruments, e.g. foreign exchange dealing. Every limit overdraft is monitored on a daily basis.

Credit risk is managed through regular analysis of debtor's and potential debtor's abilities to pay interest and repay the principal and through adjustment of borrowing limits. Credit risk management also involves asset pledging and securities from natural and legal persons.

The loan portfolio is also subject to maximum loan amount per debtor and major exposure restrictions established by the Bank of Lithuania. The Bank always complies with all limitations laid down by the Bank of Lithuania.

Market risk is the risk of loss resulting from unfavourable changes of market factors (interest rate, foreign exchange or equity price etc.).

Market risk arises from open positions in trading and investment operations. To mitigate and control market risk the exposures are constrained by implementing internal limits. Market risk assessment and management system is continuously improved by developing new and enhancing the existing models.

Statistical Value at Risk (VaR) models are implemented to assess market risk. These models express the maximum potential loss that the Bank may incur due to unfavourable fluctuation of prices in the market at a chosen level of probability during a certain period of time. Implementation of these models started in 2005. They are also constantly improved and checked during back testing procedures.

Interest rate risk is managed by setting interest rate gap limits calculated against the value of profit at risk.

Foreign exchange risk is managed by setting day and night FX exposure limits for key currencies separately and for other currencies in general. These limits are calculated against the value of profit at risk by using the Value at Risk model.

The risk of dealing in securities is managed by setting certain limits calculated against the value of profit at risk by using the value at risk model. The risk of debt securities is hedged by interest rate derivative financial instruments.

Operational risk is the risk of loss resulting from improper implementation or failure to implement internal control processes, employee errors and/or fraud, IT system failures or the failure of external systems.

Operational risk management is regulated by the policies and rules approved by the Bank's management. Each employee of the Bank is responsible for operational risk management to the extent of his/her competence. Services are provided pursuant to the procedures, employee authorizations and limits laid down in the Bank's policies and rules. Concluded deals are controlled in all stages: document preparation, document accounting and fund transferring. Automated transaction control is used to mitigate human factor related loss.

Security and non-stop functioning of the Bank's information system is ensured by backing up the Bank's main servers, providing for alternative power supply and standby telephone lines. Back-up copies of the Bank's data are made on a daily basis and contingency funding plans have been worked out. These procedures are described in the Bank's rules.

In November 2005 the company IBM Lietuva assessed the security of the Bank's IT system and drew the plan of further actions.

Significant operational risk events are recorded in the data base by specifying business lines, source of risk, loss and other related circumstances. This information enables the Bank to assess the degree of risk in certain areas of operation and, if necessary, to implement risk mitigation measures.

Liquidity risk is the risk that the Bank will be unable to meet its financial liabilities and the risk of oss resulting from a sudden drop of available resources and increased price of funds used to replenish the withdrawals.

The Bank manages liquidity risk by projecting cash flows for different periods, setting average liquidity ratios and limits, and taking appropriate measures to ensure the implementation of these limits. Liquidity ratios are calculated by using Liquidity at Risk (LaR) methods, enabling to estimate, with a certain probability, changes of liquid items over a certain period by analyzing liquidity gaps and balance structure. The Bank's internal liquidity limits involve the following groups of ratios:

- Ratios and limits required to ensure that the bank will be not short of funds to meet its liabilities. The Bank aims to achieve these ratios every day and contingency funding actions in the event of failure are in place;

- Ratios and limits required to determine the optimal balance structure from the point of view of risk management. Based on these ratios the Bank encourages or restricts accepting / extending deposits / loans in certain terms;
- Endeavoured ratios and limits. These are the amounts that the Bank tries to achieve in order to ensure reserve opportunities to manage liquidity risk.

Liquidity ratio (the ratio of the Bank's current assets to current liabilities) established by the Bank of Lithuania for commercial banks is at least 30 percent. Ūkio bankas meets this requirement every day.

Reputation risk is the risk arising from unsuccessful operation of the Bank, failure to comply with the procedures set forth by the laws and other legal acts or disclosure of the Bank client's commercial secrets. This risk is managed by preventive measures ensuring that the Bank will be not involved in money laundering deals, will operate in accordance with anti-money laundering legislation, will protect commercial secrets of its customers and will not finance illegal business. Appropriate internal control system, interim analysis of the client's business, prevention of potential deals able to undermine the Bank's reputation are used for this purpose.

Compliance with prudential risk management requirements established by the Bank of Lithuania

Requirement	Value set by the Bank of Lithuania	Actual value 31 12 2005		Actual value 31 12 2004	
		The Bank	The Group	The Bank	The Group
Liquidity, percent	min. 30	62,06	62,32	39,92	39,83
Capital adequacy, percent	min. 8	10,52	12,88	9,92	10,13
Total currency exposure, percent	max. 25	3,02	-8,14	-0,78	1,72
Foreign exchange exposure, percent	max. 15	2,39	-8,04	-0,69	1,39
Maximum exposure to a single borrower, percent	max. 25	comp-lied	comp-lied	comp-lied	comp-lied
Major loans, percent	max. 800	465,77	136,62	392,72	113,30

Risk management and internal control processes

The goal of the bank's risk management is to maintain risk at such a level that changes in economic environment, fluctuations of market parameters, quality of information systems and other factors do not imperil stable operation of the Bank nor undermine customer confidence and that risk mitigation requirements established by banking supervision institutions are complied with. To reach this goal the Bank:

- Assesses the degree of risk the Bank is able to assume;
- Develops procedures for managing certain types of risk and setting internal risk restriction limits;
- Ensures that the Bank's risk management systems are in line with efficient bank supervision principles laid down by the Bazel Committee on Banking Supervision and applicable recommendations of the Bazel Committee.

Responsibility for arranging the Bank's risk management system lies with the Board of the Bank. Specific risks are managed by respective subdivisions of the Bank within their competence and these procedures are laid down in the Bank's risk management policy. The primary level of risk management involves departments, branches and subsidiaries. Heads of these subdivisions take responsibility for their activities, risk assumption and management. On the higher level risk is managed in committees (risk management, loan) and on the highest level – in the Board and, if necessary, – in the Council.

Independent regular report filing system is implemented in the Bank. Information on risk management is delivered to heads of departments, branches or secondary companies and employees in charge, the Bank's committees, the Board and the Council.

The Bank's risk management system is assessed and improved on a regular basis.

Allocation of equity capital to cover risk

Capital calculation and allocation to cover risk is performed pursuant to Capital Adequacy Calculation Rules laid down by the Bank of Lithuania (approved by the Bank of Lithuania Board's resolution No. 172 of 21 December 2000 and subsequent amendments). The Bank also plans to apply the new edition of the rules prepared pursuant to the requirements of Capital Adequacy Directive (CAD III).

Key indicators of the Bank's profitability

The Bank's Return on Assets ratio (ROA) in 2005 was 1.07 percent (0.63 percent in 2004), Return on Equity ratio (ROE) was 15.15 percent (respectively 7.06 percent in 2004).

The Group's ROA in 2005 was 1.00 percent (0.84 percent in 2004), and ROE was 11.24 percent (9.58 percent in 2004).

Social responsibility

In the summer 2005 Ūkio bankas joined the international initiative – United Nations Global Compact – for responsible business.

Global Compact unites companies and organizations who follow universal environmental and social principles in their strategies, relations with partners and consumers and everyday business practice: encourage their employees, partners and clients to abide to the principles of responsible business, support and respect the protection of internationally proclaimed human rights, respect employee rights, undertake initiatives to promote greater environmental responsibility, and work against corruption in all its forms in public and private sectors.

The idea of socially responsible business is promoted by 2000 members from 90 countries of the world.

The Bank may be regarded as a socially responsible company not only for active participation in community life by promoting different culture and sport events but also for the organization's ethic standards and advanced human resource policy laid down in the Bank's strategy and directions of operation.

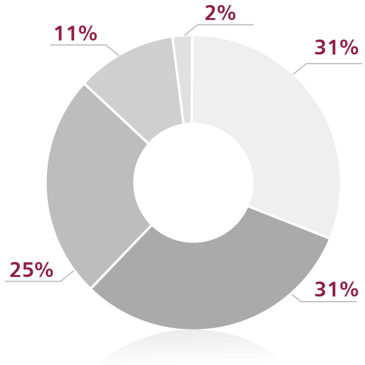
Labour relations and environment

Employees are the main resource of the Bank's activities. At the end of 2005 the Bank employed 421 bank officers. The Bank's success and image, customer confidence in the Bank depends on employee competence, diligence and loyalty. Ūkio bankas succeeded in recruiting a team of enthusiastic, hardworking and ambitious people.

In our daily work we create the atmosphere of mutual trust and partnership not only among the Bank employees but in our relationship with clients, too. We seek to become close, friendly and careful finance consultants helping our clients to use their funds and time in a reasonable manner.

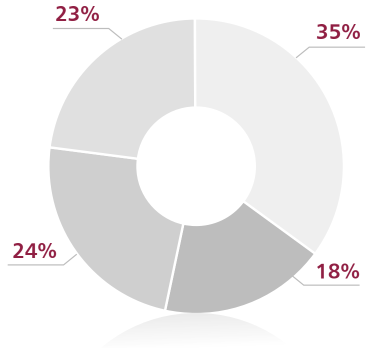
The Bank's human resource policy aims at long-term labour relationship with employees, who are given all opportunities to enhance their competence, learn, be promoted and realize their best abilities and skills.

Employee distribution by age



31%		Up to 29 years
31%		30–39 years
25%		40–49 years
11%		50–59 years
2%		Over 60 years

Employee distribution by the time worked with Ūkio bankas



35%		Up to 2 years
18%		2–4 years
24%		5–9 years
23%		Over 10 years

Participation in community life

Ūkio bankas is not just a business institution, provider of financial services and employer but a socially responsible private commercial organization, attentive and careful member of society actively participating in the community life of many Lithuanian cities and towns. The Bank's Client Service Network embraces 23 towns and small towns.

Ūkio bankas support programs target two priority areas – sponsoring culture and sport.

For many years the Bank has been sponsoring Kaunas State Drama Theatre and is very proud of mutual activities. Financial support helped the theatre to revive, theatre lovers' society was set up. The Bank's employees have become active members of the society. Ūkio bankas invites to theatre performances not only the Bank's specialists, but also clients, business partners and thus broadens the circle of Kaunas State Drama Theatre visitors.

Support for internationally recognized Boris Eifman's performances staged in the Lithuanian National Opera and Ballet Theatre have also become a tradition. The Bank funded the production of the ballets "The Red Giselle" and "The Russian Hamlet" on Lithuanian stage.

Ūkio bankas supports other theatres, too – Russian Drama Theatre and State Small Theatre of Vilnius.

A significant share of funding is allocated to support Lithuanian sport and organize sport events. Football is one of the strategic sponsorship. For some years the Bank has been contributing to the advance and promotion of football in Lithuania. Kaunas Football and Baseball Club regularly receives contributions from Ūkio bankas.

In 2005 the Bank entered into a long-term cooperation agreement with Lithuanian Football Federation and Ūkio bankas has become the main sponsor of Lithuanian national football team. Sponsorship funds were used to help Lithuanian national football team to prepare for 2006 FIFA World Cup preliminary matches.

Every year a portion of the Bank's earnings is allocated to charity and support of socially vulnerable people, disabled, talented children who cannot pay for their studies. The Bank also contributes to UNICEF campaigns for the welfare of children.

The Bank's branches in the regions contribute to important local community events, renovation of culture and education buildings.

In 2005 Lithuania commemorated a 130th birthday of the outstanding Lithuanian artist and composer M.K.Čiurlionis.

With specially designed Ūkio bankas payment cards carrying the motifs of M.K.Čiurlionis paintings the Bank aims to contribute to the dissemination and advocacy the artist's creative heritage.

Pictures for the cards were selected in close cooperation with the memorial culture centre M.K.Čiurlionis' House.

Financial report | 2005

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Ūkio Bankas:

We have audited the accompanying financial statements of AB Ūkio Bankas ("the Bank") and consolidated financial statements of the Bank and subsidiaries ("the Group"), which comprise the balance sheet and the consolidated balance sheet as of 31 December 2005, and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Bank's and the Group's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing issued by the International Federation of Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2005 and the result of their operations, changes in equity and their cash flows for the year then ended in accordance with International Financial Reporting Standards and International Financial Reporting Standards as adopted by the EU.

We also audited the adjustments described in the Accounting Policies item (t) (page 49-51) that were applied to restate the 2004 financial statements to give retroactive effect to the change in accounting policies. In our opinion, such adjustments are appropriate and have been properly applied.

Deloitte Lietuva UAB
Gavin Hill
Partner

Certified auditor Juozas Kabašinskas
Auditor's Certificate No. 000106

Vilnius, Lithuania
1 March 2006

Balance sheets
as of 31 December 2005

LTL thousand

	Notes	The Group 2005	(as restated) The Group 2004	The Bank 2005	(as restated) The Bank 2004
ASSETS					
Cash and balances with central bank	**2**	113,621	82,360	113,621	82,360
Loans and advances to banks and other financial institutions	**3**	842,956	720,677	1,198,377	993,224
Securities at fair value through profit or loss	**4**	159,412	79,802	159,412	79,802
Loans and advances to customers	**5, 6**	553,923	280,299	503,426	265,780
Finance lease receivables	**7**	121,426	111,490	-	-
Investment securities:					
available-for-sale	**8**	16,261	23,010	16,261	18,954
held-to-maturity	**8**	98,475	-	96,805	-
Investment in subsidiaries	**9**	-	-	4,000	4,100
Intangible fixed assets	**10**	6,044	1,808	1,306	1,764
Plant, property and equipment	**11**	358,559	227,608	27,371	21,230
Deferred tax asset	**28**	6,021	-	6,021	-
Other assets	**12**	82,050	30,273	57,268	36,296
Total assets		**2,358,748**	**1,557,327**	**2,183,868**	**1,503,510**
LIABILITIES AND EQUITY					
LIABILITIES					
Due to central bank		-	4,185	-	4,185
Deposits from banks and other financial institutions	**13**	550,712	531,318	518,609	509,964
Due to customers	**14**	1,469,491	872,430	1,469,491	857,113
Debt securities in issue	**15**	4,860	786	4,860	786
Subordinated loans	**16**	9,057	7,650	9,057	7,650
Deferred tax liabilities	**28**	35,907	215	336	215
Other liabilities	**17**	54,183	25,813	32,130	13,494
Total liabilities		**2,124,210**	**1,442,397**	**2,034,483**	**1,393,407**
EQUITY					
Share capital	**18**	126,708	106,708	126,708	106,708
Restricted (distributable) profit		2,000	2,000	2,000	2,000
Revaluation reserve – available-for-sale investment securities		1,903	1,217	1,903	1,217
Fixed assets revaluation reserve		49,875	-	-	-
Currency translation reserve		3,037	-	-	-
Legal reserve		339	-	339	-
Retained earnings		23,848	5,005	18,435	178
Equity attributable to equity holders of the parent		**207,710**	**114,930**	**149,385**	**110,103**
Minority interest		26,828	-	-	-
Total equity		**234,538**	**114,930**	**149,385**	**110,103**
Total liabilities and equity		**2,358,748**	**1,557,327**	**2,183,868**	**1,503,510**

The accompanying explanatory notes are an integral part of these financial statements.
The financial statements were approved by the Board of the Bank on 1 March 2006 and signed on its behalf by:

Edita Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

Statements of income
as of 31 December 2005

LTL thousand

	Notes	The Group 2005	(as restated) The Group 2004	The Bank 2005	(as restated) The Bank 2004
Interest income	**19**	74,851	41,870	59,298	27,948
Interest expense	**19**	(35,203)	(18,559)	(33,614)	(17,405)
Net interest income		**39,648**	**23,311**	**25,684**	**10,543**
Fees and commission income	**20**	56,507	23,878	55,633	26,970
Fees and commission expense	**20**	(16,632)	(8,377)	(16,211)	(7,978)
Net fee and commission income		**39,875**	**15,501**	**39,422**	**18,992**
Gains less losses arising from dealing in foreign currencies	**21**	11,309	9,726	11,393	9,308
Gains less losses arising from dealing trading securities	**21**	3,589	1,245	3,589	1,245
Gains less losses arising from investment securities	**21**	236	4,896	4,224	4,896
Gains less losses arising from dealing in derivatives and other financial instruments	**21**	(1,400)	(3,242)	(1,400)	(2,367)
Impairment losses on loans and advances	**22**	(18,105)	(3,362)	(13,781)	(2,815)
Reversal of written off loans		499	517	499	517
Other operating income	**23**	11,734	6,929	5,198	3,328
OPERATING INCOME		**87,385**	**55,521**	**74,828**	**43,647**
OPERATING EXPENSES	**24**	**(63,887)**	**(44,108)**	**(52,519)**	**(35,537)**
PROFIT BEFORE INCOME TAX		**23,498**	**11,413**	**22,309**	**8,110**
Income tax	**27**	(3,866)	(695)	(2,647)	(497)
PROFIT FOR THE YEAR		**19,632**	**10,718**	**19,662**	**7,613**
Attributable to:					
Equity holders of the parent		20,248	10,718	19,662	7,613
Minority interest		(616)	-	-	-
		19,632	**10,718**	**19,662**	**7,613**
Basic Earnings Per Share (in LTL)	**29**	**2.24**	**1.22**	**2.17**	**0.87**
Diluted Earnings Per Share (in LTL)	**29**	**2.16**	**1.20**	**2.10**	**0.86**

The accompanying explanatory notes are an integral part of these financial statements.
The financial statements were approved by the Board of the Bank on 1 March 2006 and signed on its behalf by:

Edita Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

Statements of changes in shareholders' equity
as of 31 December 2005

LTL thousand

THE BANK	Share Capital	Restricted (distribu-table) profit	Revaluation reserve for available-for-sales investment securities	Fixed assets revaluation reserve	Currency translation reserve	Compulsory reserve	Retained earnings	Total
31 December 2003	**106,708**	**2,000**	**-**	**-**	**(591)**	**-**	**814**	**108,931**
Restatement of investment securities available-for-sale, net of tax	-	-	6,053	-	-	-	(6,053)	-
Restatement of investments in subsidiaries	-	-	-	-	-	-	(1,722)	(1,722)
Correction of currency translation reserve	-	-	-	-	591	-	(591)	-
Adjusted balance at 1 January 2004	**106,708**	**2,000**	**6,053**	**-**	**-**	**-**	**(7,552)**	**107,209**
Changes in fair value of investment securities available-for-sale, net of tax	-	-	(4,836)	-	-	-	-	(4,836)
Restatement of provisions in accordance with IAS 39	-	-	-	-	-	-	117	117
Net income (as restated)	-	-	-	-	-	-	7,613	7,613
31 December 2004 (as restated)	**106,708**	**2,000**	**1,217**	**-**	**-**	**-**	**178**	**110,103**
Dividends paid	-	-	-	-	-	-	(1,066)	(1,066)
Changes in fair value of investment securities available-for-sale, net of tax	-	-	686	-	-	-	-	686
Increase in share capital	20,000	-	-	-	-	-	-	20,000
Transfer to legal	-	-	-	-	-	339	(339)	-
Net income	-	-	-	-	-	-	19,662	19,662
31 December 2005	**126,708**	**2,000**	**1,903**	**-**	**-**	**339**	**18,435**	**149,385**

(Continued)

Statements of changes in shareholders' equity
as of 31 December 2005

LTL thousand

THE GROUP	Share Capital	Restricted (distribu-table) profit	Reva-luation reserve for available-for-sales invest-ment securities	Fixed assets reva-luation reserve	Currency trans-lation reserve	Legal reserve	Retained earnings	Equity attribu-table to equity holders of the parent	Minority interest	Total
31 December 2003	**106,708**	**2,000**	**-**	**-**	**(591)**	**-**	**814**	**108,931**	**-**	**108,931**
Restatement of investment securities available-for-sale, net of tax	-	-	6,053	-	-	-	(6,053)	-	-	-
Correction of currency translation reserve	-	-	-	-	591	-	(591)	-	-	-
Adjusted balance at 1 January 2004	**106,708**	**2,000**	**6,053**	**-**	**-**	**-**	**(5,830)**	**108,931**	**-**	**108,931**
Changes in fair value of investment securities available-for-sale, net of tax			(4,836)					(4,836)		(4,836)
Restatement of provisions in accordance with IAS 39	-	-	-	-	-	-	117	117	-	117
Net income (as restated)	-	-	-	-	-	-	10,718	10,718	-	10,718
31 December 2004 (as restated)	**106,708**	**2,000**	**1,217**	**-**	**-**	**-**	**5,005**	**114,930**	**-**	**114,930**
Dividends paid	-	-	-	-	-	-	(1,066)	(1,066)	-	(1,066)
Changes in fair value of investment securities available-for-sale, net of tax	-	-	686	-	-	-	-	686	-	686
Increase in share capital	20,000	-	-	-	-	-	-	20,000	-	20,000
Transfer to legal reserve	-	-	-	-	-	339	(339)	-	-	-
Minority share in acquired subsidiary	-	-	-	-	-	-	-	-	10,161	10,161
Currency translation adjustment	-	-	-	-	3,037	-	-	3,037	908	3,945
Increase in fixed assets revaluation reserve net of tax	-	-	-	49,875	-	-	-	49,875	16,375	66,250
Net income (loss)	-	-	-	-			20,248	20,248	(616)	19,632
31 December 2005	**126,708**	**2,000**	**1,903**	**49,875**	**3,037**	**339**	**23,848**	**207,710**	**26,828**	**234,538**

The accompanying explanatory notes are an integral part of these financial statements.
The financial statements were approved by the Board of the Bank on 1 March 2006 and signed on its behalf by:

Edita Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

Statements of cash flows
as of 31 December 2005

LTL thousand

	Notes	The Group 2005	(as restated) The Group 2004	The Bank 2005	(as restated) The Bank 2004
CASH FLOW FROM (TO) OPERATING ACTIVITIES					
Interest received		72,372	39,978	56,819	25,805
Interest paid		(34,899)	(16,231)	(33,310)	(15,291)
Repayment of loans previously written off		594	638	594	638
Net receipts from operations with foreign currency		6,350	4,926	6,360	5,047
Net receipts from operations with securities held for trading		10,634	6,372	10,634	6,289
Net receipts for services and commission		39,841	15,479	39,388	18,970
Payments of salaries and associated payments		(19,042)	(14,965)	(16,846)	(13,090)
Income taxes paid		(240)	(695)	(182)	(497)
Other payments		(30,810)	(19,463)	(27,777)	(17,049)
Net cash provided by operating activities before change in operating assets and liabilitie		**44,800**	**16,039**	**35,680**	**10,822**
Changes in operating assets and liabilities:					
Compulsory reserves held in central bank		46,626	(12,683)	46,626	(12,683)
Loans and advances to banks and other financial institutions		(236,113)	(82,613)	(319,682)	(93,780)
Securities at fair value through profit or loss		(86,083)	(48,575)	(86,083)	(48,575)
Loans and advances to customers		(274,495)	(108,035)	(238,517)	(95,445)
Other assets		(66,062)	(36,574)	(29,492)	(9,162)
Due to central banks		(4,185)	-	(4,185)	-
Due from banks and other financial institutions		19,394	213,445	8,645	211,334
Due to customers		597,061	345,608	612,378	330,291
Other liabilities		21,637	(1,343)	2,184	(2,468)
Net cash provided by operating activities		**62,580**	**285,269**	**27,554**	**290,334**
CASH FLOW FROM (TO) INVESTING ACTIVITIES					
Acquisition of subsidiaries	**30**	(33,945)	-	-	(3,000)
Disposal of subsidiaries	**30**	4,200	-	4,200	-
Purchase of fixed assets, net of disposals		(8,464)	(3,361)	(5,921)	(8,563)
Acquisition of investment securities available-for-sale, net of disposals		(89,743)	-	(91,900)	-
Cash flows from other investing activity		-	-	-	2,974
Net cash used in investing activities		**(127,952)**	**(3,361)**	**(93,621)**	**(8,589)**

(Continued)

Statements of cash flows
as of 31 December 2005

LTL thousand

	Notes	The Group 2005	(as restated) The Group 2004	The Bank 2005	(as restated) The Bank 2004
CASH FLOW FROM (TO) FINANCING ACTIVITIES					
Increase in share capital		20,000	-	20,000	-
Interest paid for subordinated loans		(263)	(49)	(263)	(49)
Received subordinated loans		-	7,604	-	7,604
Issued debt securities		4,074	-	4,074	-
Dividends paid		(1,066)	-	(1,066)	-
Net cash from financing activities		**22,745**	**7,555**	**22,745**	**7,555**
Net (decrease)/increase in cash and cash equivalents		**(42,627)**	**289,463**	**(43,322)**	**289,300**
Cash and cash equivalents at the beginning of period	**31**	**537,648**	**248,185**	**537,483**	**248,183**
Cash and cash equivalents at the end of period	**31**	**495,021**	**537,648**	**494,161**	**537,483**

The accompanying explanatory notes are an integral part of these financial statements.
The financial statements were approved by the Board of the Bank on 1 March 2006 and signed on its behalf by:

Edita Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

NOTE 1 General information and significant accounting policies

General information

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

The Bank has a business license issued 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 29 divisions in Lithuania and 2 representative offices in foreign countries, in addition, the Bank has 5 subsidiaries, UAB Ūkio Banko Lizingas, set up in 1997, UAB Turto Valdymo Strategija, UAB Turto Valdymo Sprendimai and UAB Turto Valdymo Sistemos, set up in 2004 and OAO Russkij Karavaj, acquired in 2005 which 75 % of shares owned by UAB Turto Valdymo Strategija.

At 31 December 2005 the Bank and the Group employed 421 and 508 employees, respectively (2004: 363 and 429).

The Bank's shareholders owning more than 5% of share capital as of 31 December 2005 are as follows:

Mr. Vladimir Romanov	19.43 %
Mrs. Zinaida Romanova	9.99 %
UAB Universal Business Investment Group Management	9.99 %
UAB FMĮ Finbaltus	8.51 %
UAB Asocijuoto turto valdymas	8.37 %
Skandinaviska Enskila Banken clients	7.36 %

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for portfolio hedge accounting under IAS 39, which has not been adopted by the EU. The Group has determined that portfolio hedge accounting under IAS 39 would not impact the consolidated financial statements had it been adopted by the EU at the balance sheet date.

The accompanying financial statements are presented in the national currency of Lithuania, the Litas ("LTL").

Principles of consolidation

At 31 December 2005 the Group financial statements include the accounts of the Bank and its owned subsidiaries:

Name	Activity	Country	Ownership share
UAB Ūkio Banko lizingas	Finance lease	Kaunas, Lithuania	100 %
UAB Turto valdymo strategija	Financial intermediation	Kaunas, Lithuania	100 %
UAB Turto valdymo sprendimai	Financial intermediation	Kaunas, Lithuania	100 %
UAB Turto valdymo sistemos	Financial intermediation	Kaunas, Lithuania	100 %
OAO Russkij Karavaj *	Real estate and financial intermediation	Moscow, Russia	75 %

* - UAB Turto Valdymo Strategija owns 75 % of shares of OAO Russkij Karavaj.

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

Name	Activity	Country	Ownership share
UAB Ūkio Banko lizingas	Finance lease	Kaunas, Lithuania	100 %
UAB Turto valdymo strategija	Financial intermediation	Kaunas, Lithuania	100 %
UAB Turto valdymo sprendimai	Financial intermediation	Kaunas, Lithuania	100 %
UAB Turto valdymo sistemos	Financial intermediation	Kaunas, Lithuania	100 %
UAB Optimalus turto valdymas	Financial intermediation	Kaunas, Lithuania	100 %

Subsidiaries, which are companies over which the parent company has control, are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of income.

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

Minority interests in the equity and results of companies that are controlled by the Bank are shown as a separate item of the shareholders equity in the consolidated financial statements.

Significant accounting policies

The financial statements are prepared on the historical cost basis as adjusted for revaluation of certain fixed assets 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:

	2005	2004
USD	2.9102	2.5345
EUR	3.4528	3.4528

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

b) Recognition of income and expenses

Interest income and expense are recognised in the statement of income for all instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Commissions, fees and other revenues are recognized as income when earned.

Commissions, fees and other expenses are recognized as expenses when incurred.

c) Loans, advances and guarantees issued to customers

Loans and advances and placements with banks and other financial institutions are stated at amortised cost, net of allowance for possible loan, advance or placements losses, respectively. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Interest is accrued and credited to income based on the principal amount outstanding using the effective interest rate method. All loans and advances are recognised when cash is advanced to borrowers.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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

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

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

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

d) Lease

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.

e) Debt and Equity Securities

Securities are classified into the following groups:

Securities at fair value through profit or loss (securities held for trading);

Investment securities available-for-sale;

Investment securities held-to-maturity;

Investments into subsidiaries.

All securities are accounted for at settlement date.

Securities at fair value through profit or loss

Securities held for trade purpose are short-term investments in debt securities, fund's units and shares that are acquired in order to earn profit from fluctuation of securities prices or from dealer's operations margins. They are intended to be kept for a short period of time only.

Securities recorded at fair value are reflected in this portfolio, whose revaluation result is accounted for in the statement of income, with an exception of investments into shares not quoted in the domestic securities market or whose fair value cannot be identified in a reliable (credible) way.

All securities evaluated at fair value through profit or loss following their original recognition at cost are subsequently re-measured at fair value, which stands for their market value. Total realized and unrealized profit or loss resulting from operations with these securities and their revaluation is recorded as profit (loss) generated by trade of securities. Interest earned on such securities is reflected as interest income.

The fair values of those securities not traded are estimated by the management of the Group as the best estimation of the cash flow projection reflecting the set of economic conditions that will exist over the remaining useful life of the securities.

Those financial assets at fair value through profit or loss that do not have a quoted market price and whose fair value cannot be reliably measured by other models mentioned above are measured at cost, less allowance for permanent diminution in value, when appropriate.

Investment securities available-for-sale

Investment securities available-for-sale are securities held by the Group for an indefinite period of time that are available for sale as liquidity requirements arise or market conditions change.

Investment securities available-for-sale are initially recorded at acquisition cost and subsequently re-measured to fair value. Changes in the fair values of available-for-sale securities are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is charged to statement of income. However, interest calculated using the effective interest method is recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in the statement of income when the Group's right to receive payment is established.

Investment securities held-to-maturity

Investment securities held-to-maturity are those securities that the Group has the intent and the ability to hold at its disposition until their maturity. These securities are carried at amortized cost using the effective interest rate method. A decrease in their market value is not taken into account unless it is considered as a long-term decline.

A financial asset (as defined in IAS 39) 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 the expected future cash flows discounted at the financial instrument's original effective interest rate. When an impairment of assets is identified, the Group recognizes provisions through the statement of income account line "Operating expenses".

Securities sold under repurchase agreements ('repos') are recognized in the financial statements as trading or investment securities, and the resulting liabilities are included in amounts due to banks and other financial institutions, deposits due to customers or other liabilities, as appropriate. Securities purchased under reverse repurchase agreements are included into loans and advances to banks and other financial institutions or customers (as appropriate). The difference between sale and repurchase price is recognized as interest income and is accrued over the life of repurchase agreements using the effective interest rate for the period in question.

Investments in subsidiaries

Investments into equity securities that were acquired with an intention of keeping them for an indefinite period of time and generating capital gain resulting from increase of their value are accounted at cost.

Investments in subsidiaries in the Bank's stand alone financial statements are shown at cost less impairment. At least once each year an impairment test is performed.

If there is objective evidence that an impairment loss on securities carried cost or amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income.

f) Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the acquisition cost over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is presented in intangible fixed assets line in the balance sheet. Goodwill is not amortised and is tested for impairment at least on an annual basis.

Goodwill is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is defined as the estimated future economic benefits arising from the acquisition of an equity investment. When an impairment of assets is identified, the Group recognises the impairment through the statement of income account line "Operating expenses".

g) Tangible and intangible assets (except for goodwill)

Assets falling under the category of tangible and intangible fixed assets are those assets that have been acquired for at least LTL 1,000 and with a useful life in excess of one year. Initially tangible and intangible fixed assets are recorded at cost. Subsequent to initial recognition an item of construction in progress is carried at a revalued amount, being its fair value at the date of the revaluation and subsequent accumulated impairment losses or gains. Subsequent to initial recognition an item of tangible fixed assets other than construction in progress is carried at cost less any accumulated depreciation and accumulated impairment losses. Subsequent to initial recognition an item of intangible fixed assets is carried at cost less any accumulated amortization and accumulated impairment losses.

Depreciable amount is calculated net of residual value. Depreciation/amortization is charged on a straight-line basis over the established useful lives of assets and is charged from the month following the month the assets are brought into use. Useful lives of fixed assets are disclosed below (years):

Buildings	60
Vehicles	4-10
Office equipment and other	2-30
Software	3

Revaluation of construction in progress is made with a sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date.

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

Subsequent expenditure on repairs of an item of fixed tangible assets is added to the carrying amount of the item in accordance with the accounting procedures established by the Group when subsequent expenditure increases the useful life of the item. All other expenditure on repairs of fixed tangible fixed assets is recognized as expense in the period when incurred.

h) Investment property

Investment property is the property, which is held to earn rent 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.

Investment property is included within buildings and real estate in tangible fixed assets line in the balance sheet.

i) Foreclosed asset for bad debts and assets held for sale

The assets acquired as a result of foreclosures and unused assets held for disposal are disclosed at fair value net of disposal costs. The reduction of the value - from the carrying amount to the established fair value - during the foreclosure of assets is recorded in the statement of income. Subsequent value changes are recognized in the statement of income. Gains or losses recognized on the sale of such assets are recorded in the statement of income. Determinations of fair value are based on periodic appraisals, which may be subject to significant fluctuations as economic conditions change.

j) Issued debt securities

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

k) Income tax

For 2005 income tax rate in Lithuania is 15%. From 2006 social tax comes into effect. The social tax will be effective for 2006 and 2007 only and the rates will be 4% and 3%, respectively. The basis for social tax calculation is the same as for income tax. 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 carried forward. 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.

l) 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.

m) Derivative financial instruments

The Group performs operations with derivative financial instruments. The Group uses derivative financial instruments for the purpose of currency exchange and interest rate risk management. 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 are re-measured 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. These transactions are accounted for at notional value under off balance sheet items.

The 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.

The premium and discount accrued from interest rates and foreign currency swaps agreements are recognized daily in the statement of income.

n) Financial instruments with off-balance sheet risk

In the normal course of business, the Group enters into financial instruments with off balance sheet risk, which include foreign exchange and interest rate contracts and issued guarantees. These financial instruments involve, to varying degrees, elements of credit, interest rate and currency risk. Provision is made for estimated losses, if any, on such off balance sheet items by a charge to the statement of income.

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 carrying amount, such fair values are separately disclosed in the explanatory notes to the financial statements.

p) Segment reporting

Segment information is based on three business segments – banking, finance lease and other operations.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated to a segment, whether from external transactions or from transactions with other segments of the Group. Inter-segment transfer pricing is based on cost plus an appropriate margin, as specified by Group policy. Segment results are determined before any adjustments for minority interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related adjustments that are reported as direct offsets in the Group's balance sheet. Segment assets and liabilities do not include income tax items.

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) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of goodwill

The Group tests annually whether there is any indication that goodwill has suffered any impairment. If that is the case impairment test will be performed in accordance with the accounting policy stated below. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. As of 31 December 2005 the carrying amount of goodwill was LTL'000 4,700 and there were no indications that goodwill might be impaired.

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

s) Adoption of new and revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005.

At the date of authorisation of these financial statements, the following Standards and Interpretations were issued but not yet effective:

New standard, interpretation, amendment	Issued	Effective for annual periods beginning on or after
Amendments to IAS 39 - Cash flow hedge of forecast intragroup transactions - Guarantee contracts (IFRS 4 amended accordingly) - Fair value option	2004	1 January 2006
Amendment to IAS 1 to add capital disclosures	2005	1 January 2007
IFRS 6 Exploration for and evaluation of mineral resources (IFRS 1 amended accordingly)	2004	1 January 2006
IFRS 7 Financial Instruments: Disclosure (supersedes IAS 30)	2005	1 January 2007
IFRIC 4 – Determining whether an Agreement contains a Lease	2004	1 January 2006
IFRIC 5 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	2004	1 January 2006
IFRIC 6 Liabilities arising from Participation in a specific market – Waste electrical and electronic references	2005	1 December 2005
IFRIC 7 Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies	2005	1 March 2006
IFRIC 8 Scope of IFRS 2	2006	1 May 2006.
IFRIC 9 Reassessment of embedded derivatives	2006	1 June 2006

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

t) Reclassifications and restatements

Starting from 2005 due to the revised IAS 27 the Bank participation in subsidiaries is recognised at cost. In 2004 the Bank participation in subsidiaries was accounted for in accordance with the equity method. Changes in accounting policy have been applied retrospectively and prior period financial statements have been restated.

Starting from 2005 due to revised IAS 39 the Bank and the Group has recognized changes in fair value of securities available-for-sales directly to equity. In 2004 the Bank and the Group recognized changes in fair value of securities available-for-sales through statement of income. Changes in accounting policy have been applied retrospectively and prior period financial statements have been restated.

Starting from 2005 due to revised IAS 39, the Bank and the Group have changed their accounting policy for loan impairment and have restated provisions for impairment losses on loans and advances as of 31 December 2004. Since it is impracticable to determine the period-specific effect of change in accounting policy on comparative information from prior periods presented, the Bank and the Group applies the new accounting policy as at 31 December 2004. As a result the provisioning for impairment losses on loans included in the statement of income for the year ended 31 December 2004 is based on the previous accounting policy and, accordingly, the statement of income for the year ended 31 December 2004 is not comparable with the statement of income for the year ended 31 December 2005.

The Bank and The Group has restated and reclassified its assets and liabilities to comply with the revised IAS 39 classifications. In 2005, the following opening balances have been restated and reclassified:

LTL thousand

THE BANK	31.12.2004 before restatement	Restatement	Reclassifications	31.12.2004 after restatement
Assets				
Due from banks and other credit and financial institutions	991,497	1,727	-	993,224
Financial assets at fair value through profit or loss	-	-	79,802	79,802
Loans issued to customers	266,840	(1,060)	-	265,780
Debt securities	78,281	-	(78,281)	-
Securities available-for-sale	-	-	18,954	18,954
Investments to equity securities	29,271	(4,696)	(24,575)	-
Investments into subsidiaries	-	-	4,100	4,100
Other assets	38,206	(1,910)	-	36,296
Liabilities				
Due to central bank	4,171	14	-	4,185
Due to banks and other credit and financial institutions	509,797	167	-	509,964
Deposits and letters of credit	852,801	4,312	-	857,113
Subordinated loans	7,604	46	-	7,650
Deferred tax liability	-	215	-	215
Other liabilities	19,393	(5,899)	-	13,494
Retained earnings				
of which:				
Retained earnings increase as a result of the adjustment of provisions	-	117	-	117
Retained earnings decrease as a result of investments into subsidiaries	-	(4,696)	-	(4,696)
Retained earnings decrease as result of securities available-for-sales	-	(215)	-	-
Total assets	**1,509,449**	**(5,939)**	**-**	**1,503,510**
Total liabilities	**1,394,552**	**(1,145)**	**-**	**1,393,407**
Total equity	**114,897**	**(4,794)**	**-**	**110,103**

LTL thousand

	31.12.2004 before restatement	Restatement of equity method	Restatements of results of revaluation of investment securities available-for-sale	31.12.2004 after restatement
Restatement of the profit for the year 2004	5,966	(2,974)	4,621	**7,613**

LTL thousand

THE GROUP	31.12.2004 before restatement	Restatement	Reclassifications	31.12.2004 after restatement
Assets				
Due from banks and other credit and financial institutions	719,329	1,348	-	720,677
Short-term treasury bills	-	-	-	-
Financial assets at fair value through profit or loss	-	-	79,802	79,802
Loans issued to customers	281,161	(862)	-	280,299
Financial lease	110,674	816	-	111,490
Debt securities	78,281	-	(78,281)	-
Equity securities	24,531	-	(24,531)	-
Securities available-for-sale	-	-	23,010	23,010
Other assets	32,688	(2,415)	-	30,273
Liabilities				
Due to central bank	4,171	14	-	4,185
Due to banks and other credit and financial institutions	509,797	167	-	509,964
Deposits and letters of credit	868,118	4,312	-	872,430
Subordinated loans	7,604	46	-	7,650
Deferred tax liability	-	215	-	215
Other liabilities	31,712	(5,899)	-	25,813
Retained earnings of which:				
Retained earnings increase as a result of the adjustment of provisions	-	248	-	-
Retained earnings decrease as result of securities available-for-sales	-	(215)	-	-
Total assets	**1,558,439**	**(1,112)**	**-**	**1,557,327**
Total liabilities	**1,443,542**	**(1,145)**	**-**	**1,442,397**
Total equity	**114,897**	**33**	**-**	**114,930**

LTL thousand

	31.12.2004 before restatement	Restatement of equity method	Restatements of results of revaluation of investment securities available-for-sale	31.12.2004 after restatement
Restatement of the profit for the year 2004	5,966	131	4,621	**10,718**

NOTE 2 Cash and balances with central bank

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
14,500	11,108	Cash in hand	14,500	11,108
8	5	Other placement	8	5
99,113	71,247	Compulsory reserves	99,113	71,247
113,621	**82,360**	**Total cash and balance with central bank**	**113,621**	**82,360**

The compulsory reserves are held with Bank of Lithuania in the form of non-interest bearing deposits under the Bank of Lithuania's regulations. The compulsory reserves held with 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 Loans and advances to banks and other financial institutions

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Loans and advances to banks and other financial institutions		
154,111	342,948	Funds in correspondent accounts	153,281	342,948
631,225	328,742	Deposits:	613,762	328,577
226,090	*151,206*	*Overnight deposits*	*226,090*	*151,206*
405,105	*177,371*	*Term deposits*	*387,672*	*177,371*
30	*165*	*Demand deposits*	-	-
60,762	49,243	Loans:	434,476	321,955
60,762	*49,243*	*Falling due within one year*	*105,118*	*49,519*
-	-	*Falling due after one year*	*329,358*	*272,436*
846,098	**720,933**	**Total**	**1,201,519**	**993,480**
(3,142)	(256)	Provisions for impairment loss of loans and advance to banks and other financial institutions (Note 22)	(3,142)	(256)
842,956	**720,677**	**Total loans and advances to banks and other financial institutions, net**	**1,198,377**	**993,224**

As of 31 December 2005 the Bank's and the Group's " Loans and advances to banks and other financial institutions" balances include accrued interest in the amount of LTL'000 1,358 and LTL'000 928, respectively (2004: LTL'000 786 and LTL'000 484, respectively).

NOTE 4 Securities at fair value through profit or loss

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Debt securities held for trading:		
26,005	28,782	Lithuanian government	26,005	28,782
22,985	37,265	Other countries' governments	22,985	37,265
60,948	6,963	Private companies	60,948	6,963
37,980	5,271	Banks	37,980	5,271
147,918	**78,281**	**Total**	**147,918**	**78,281**
		Equity securities held for trading:		
9,122	-	Russian companies	9,122	-
2,372	1,521	Lithuanian companies	2,372	1,521
11,494	**1,521**	**Total**	**11,494**	**1,521**
159,412	**79,802**	**Total securities at fair value through profit or loss**	**159,412**	**79,802**

NOTE 5 Loans and advances to customers

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Loans to customers:		
105,859	96,584	Falling due within one year	77,752	85,245
319,729	140,439	Falling due after one year	319,729	140,439
46,202	14,210	Reverse repos	23,193	11,585
93,993	33,727	Factoring	93,467	33,172
565,783	**284,960**	**Total loans to customers**	**514,141**	**270,441**
(11,860)	(4,661)	Provisions for impairment loss of loans and advances to customers (Note 22)	(10,715)	(4,661)
553,923	**280,299**	**Total loans to customers**	**503,426**	**265,780**

As of 31 December 2005 the Bank's and the Group's "Loans and advances to customers" balances includes accrued interest in amount of LTL'000 1,322 and LTL'000 1,675, respectively (2004: LTL'000 331 and LTL'000 460, respectively).

NOTE 6 Loans and advances by industries and sectors

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Loans and advances by industries and sectors		
11,096	6,362	to agriculture, hunting, forestry	11,096	6,362
2,959	150	to fishery and pisciculture	2,959	150
66,625	62,474	to manufacturing	66,099	61,923
5,193	4,009	to utilities	5,193	4,009
20,460	36,701	to construction	20,460	36,701
200,333	79,645	to wholesale and retail trade	200,461	79,645
4,180	20	to other financial intermediaries	4,180	20
17,123	12,237	to transportation, storage and telecommunication	17,123	12,237
90,475	22,715	to real estate, rent and commercial companies	90,475	20,215
42,212	10,410	to other utilities, social and personal services	42,212	10,410
6,299	2,682	to hotels and restaurants	6,299	2,682
-	80	to education	-	80
896	848	to health care and social works	896	848
32,016	7,844	to other types of economic activity	9,007	7,844
499,867	**246,177**	**Total loans and advances by industries and sectors**	**476,460**	**243,126**
64,241	38,323	to natural persons	36,359	26,984
564,108	**284,500**	**Total loans and advances**	**512,819**	**270,110**
1,675	460	Accrued interest	1,322	331
(11,860)	(4,661)	Provisions for impairment loss of loans and advances to customers (Note 22)	(10,715)	(4,661)
553,923	**280,299**	**Total loans and advances, net**	**503,426**	**265,780**

As of 31 December 2005 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 the customer's related parties may not exceed 25% of the Bank's capital.

NOTE 7 Finance 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	
2005	(as restated) 2004		2005	(as restated) 2004
		Amounts receivable under finance leases		
111,343	96,524	Due within one year	102,111	87,396
22,954	27,330	Due within the second to fifth years inclusive	20,921	25,398
134,297	**123,854**	**Total**	**123,032**	**112,794**
(11,265)	(11,060)	Less: unearned finance income	-	-
123,032	**112,794**	**Minimum lease receivables**	**123,032**	**112,794**
(1,606)	(1,304)	Provisions for impairment loss of finance lease receivables (Note 22)	(1,606)	(1,304)
121,426	**111,490**	**Finance lease receivables, net**	**121,426**	**111,490**

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Finance lease by type of assets leased:		
166	1,934	Real estate	-	-
332	650	Manufacturing equipment	-	-
1,575	3,796	Vehicles	-	-
43,738	35,459	Computer equipment	-	-
21,381	15,408	Audio and video equipment	-	-
26,080	21,254	Household equipment	-	-
12,249	10,312	Furniture	-	-
17,511	23,981	Other assets	-	-
123,032	**112,794**	**Total finance lease receivables by type of assets leased**		**-**
(1,606)	(1,304)	Provisions for impairment of finance lease receivables (Note 22)	-	-
121,426	**111,490**	**Total finance lease receivables by type of assets leased, net**	**-**	**-**

The Bank's subsidiary UAB Ūkio Banko Lizingas is engaged in leasing business.

The average maturity term of a lease contract is 20 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 8 Investment securities

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Equity investment securities available-for-sale:		
-	2,801	AB Šiaulių bankas	-	2,801
3,323	3,296	Balkan Investment Bank A.D.	3,323	3,296
1,928	771	GD UAB Bonum Publicum	1,928	771
81	81	SWIFT SCRL	81	81
-	1,866	UAB Domus Altera	-	1,866
9,362	13,418	UAB Ūkio banko investicinė grupė	9,362	9,362
1,567	777	UAB FMĮ Finbaltus	1,567	777
16,261	**23,010**	**Total equity investment securities available-for-sale**	**16,261**	**18,954**
		Investment securities held-to-maturity:		
316	-	Other countries' government debt securities	316	-
86,406	-	Companies debt securities	86,406	-
10,083	-	Other bank's debt securities	10,083	-
1,670	-	Companies securities	-	-
98,475	**-**	**Total investment securities held-to-maturity**	**96,805**	**-**

NOTE 9 Investment in subsidiaries

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Investments in subsidiaries:		
-	-	UAB Ūkio banko lizingas	1,000	1,000
-	-	UAB Optimalus turto valdymas	-	100
-	-	UAB Turto valdymo sistemos	1,000	1,000
-	-	UAB Turto valdymo sprendimai	1,000	1,000
-	-	UAB Turto valdymo strategija	1,000	1,000
-	**-**	**Total investments in subsidiaries**	**4,000**	**4,100**

On March 2005, the Bank disposed 100% of the share capital of its subsidiary UAB Optimalus Turto Valdymas, registered in Kaunas, Lithuania (see Note 30).

On April 2005 the Group acquired a 75% shareholding in OAO Russkij Karavaj, registered in Moscow, Russia (see Note 30).

NOTE 10 Intangible fixed assets

LTL thousand

The Group				The Bank
Software	Goodwill	Total		Software
			Acquisition cost	
3,515	**-**	**3,515**	**As of 31 December 2003**	**3,338**
323	-	323	additions	303
(265)	-	(265)	disposals	(228)
3,573	**-**	**3,573**	**As of 31 December 2004**	**3,413**
561	4,315	4,876	additions	531
(111)	-	(111)	disposals	(111)
-	385	385	currency exchange differences	-
4,023	**4,700**	**8,723**	**As of 31 December 2005**	**3,833**
			Accumulated amortisation	
1,153	**-**	**1,153**	**As of 31 December 2003**	**1,034**
700	-	700	charges for the year	667
(88)	-	(88)	disposals, write-offs	(52)
1,765	**-**	**1,765**	**As of 31 December 2004**	**1,649**
1,025	-	1,025	charges for the year	989
(111)	-	(111)	disposals, write-offs	(111)
2,679	**-**	**2,679**	**As of 31 December 2005**	**2,527**
			Carrying amount	
1,808	**-**	**1,808**	**As of 31 December 2004**	**1,764**
1,344	**4,700**	**6,044**	**As of 31 December 2005**	**1,306**

The carrying value of the computer software acquired by the Bank under finance lease agreements as of 31 December 2005 were LTL’000 691 (2004: LTL’000 1,291).

NOTE 11 Tangible fixed assets

LTL thousand

The Bank	Buildings and other real estate	Vehicles	Office equipment	Construction in progress	Total
Historical cost \ revalued amount 31 December 2003	**24,080**	**1,690**	**9,933**	**184,539**	**220,242**
additions	-	944	2,316	8,456	11,716
changes in fair value	739	-	-	5,461	6,200
disposals	(7,976)	(101)	(1,579)	(198,456)	(208,112)
elimination of accumulated depreciation of investment property at fair value	(1,098)	-	-	-	(1,098)
31 December 2004	**15,745**	**2,533**	**10,670**	**-**	**28,948**
additions	1,767	1,326	3,423	-	6,516
changes in fair value	1,800	-	-	-	1,800
disposals	-	(305)	(945)	-	(1,250)
31 December 2005	**19,312**	**3,554**	**13,148**	**-**	**36,014**
Accumulated depreciation 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)
elimination of accumulated depreciation of investment property at fair value	(1,098)	-	-	-	(1,098)
31 December 2004	**1,180**	**1,053**	**5,485**	**-**	**7,718**
charge for the year	139	390	1,563	-	2,092
disposals	-	(276)	(891)	-	(1,167)
31 December 2005	**1,319**	**1,167**	**6,157**	**-**	**8,643**
Carrying amount					
31 December 2004	**14,565**	**1,480**	**5,185**	**-**	**21,230**
31 December 2005	**17,993**	**2,387**	**6,991**	**-**	**27,371**

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

The carrying value of the vehicles and office equipment acquired by the Bank under finance lease agreements as of 31 December 2005 were LTL'000 320 (2004: LTL'000 170) and LTL'000 805 (2004: LTL'000 1,535), respectively.

As of 31 December 2005 tangible fixed assets of the Bank include investment property with the carrying amount of LTL'000 11,483 (2004: 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 2005 by independent assets appraisers V. Černius appraisers company. The fair value of buildings was determined under the market value basis.

The Group	Buildings and other real estate	Vehicles	Office equipment	Construction in progress	Total
Historical cost \ revalued amount 31 December 2003	**33,480**	**3,116**	**10,917**	**184,539**	**232,052**
additions	10,409	1,002	2,444	8,456	22,311
changes in fair value	2,929	-	-	(15,836)	(12,907)
disposals	(532)	(101)	(1,599)	-	(2,232)
elimination of accumulated depreciation of investment property at fair value	(1,098)	-	-	-	(1,098)
31 December 2004	**45,188**	**4,017**	**11,762**	**177,159**	**238,126**
additions	1,767	1,656	3,876	8,651	15,950
taken over from Russkij Karavaj subsidiary	-	-	-	53,807	53,807
changes in fair value	7,512	-	-	86,192	93,704
disposals	(27,113)	(527)	(966)	(36,361)	(64,967)
net translation differencesa	-	-	-	33,584	33,584
elimination of accumulated depreciation of investment property at fair value	(712)	-	-	-	(712)
31 December 2005	**26,642**	**5,146**	**14,672**	**323,032**	**369,492**
Accumulated depreciation 31 December 2003	**2,983**	**1,830**	**6,174**	**-**	**10,987**
charge for the year	720	516	1,009	-	2,245
disposals	(533)	(76)	(1,007)	-	(1,616)
elimination of accumulated depreciation of investment property at fair value	(1,098)	-	-	-	(1,098)
31 December 2004	**2,072**	**2,270**	**6,176**	**-**	**10,518**
charge for the year	**140**	**561**	**1,771**	**-**	**2,472**
disposals	(177)	(278)	(890)	-	(1,345)
elimination of accumulated depreciation of investment property at fair value	(712)	-	-		(712)
31 December 2005	**1,323**	**2,553**	**7,057**	**-**	**10,933**
Carrying amount					
31 December 2004	**43,116**	**1,747**	**5,586**	**177,159**	**227,608**
31 December 2005	**25,319**	**2,593**	**7,615**	**323,032**	**358,559**

As of 31 December 2005 construction in progress in the amount of LTL'000 323,032 (2004: 177,159) represents building under construction located in Moscow, Russia (see Note 40).

Building, owned by UAB Ūkio Banko Lizingas (100% owned subsidiary of the Bank), with carrying amount of LTL'000 7,330 as of 31 December 2005 is pledged to UAB Bonum Publicum for the securization of LTL'000 2,640 the loan payable to UAB Bonum Publicum.

As of 31 December 2005 tangible fixed assets of the Group include investment property with the carrying amount of LTL'000 18,813 (2004: LTL'000 20,520), which are classified under buildings and other real estate category. The investment property fair value was revalued as of 31 December 2005 by independent assets appraisers V. Černius company. The fair value of buildings was determined under the market value basis.

Investment property movement table.

LTL thousand

The Group		The Bank
1,814	**Fair value as of 31 December 2003**	**-**
10,410	Investment property additions	-
7,228	Reclasses from fixed assets	7,177
1,068	Gain arising from a change in the fair value	739
20,520	**Fair value as of 31 December 2004**	**7,916**
1,767	Investment property additions	1,767
(10,986)	Investment property disposals	-
7,512	Gain arising from a change in the fair value	1,800
18,813	**Fair value as of 31 December 2005**	**11,483**

NOTE 12 Other assets

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Other assets:		
86	181	foreclosed assets	86	181
6,439	9,154	accounts receivable	6,439	16,599
25,004	12,252	prepayments	25,113	12,252
7,869	6,755	deferred expenses	6,102	5,596
4,277	442	claims due derivative financial instruments	4,277	1,322
3,814	666	receivables from Spot transactions	3,814	666
14,551	-	advance payment to investment fund	14,551	-
27,215	1,419	other receivables	1,818	276
89,255	**30,869**	**Total other assets**	**62,200**	**36,892**
(7,205)	(596)	Provisions for impairment loss of other assets (Note 22)	(4,932)	(596)
82,050	**30,273**	**Total other assets, net**	**57,268**	**36,296**

NOTE 13 Deposits from banks and other financial institutions

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Due to banks and other financial institutions		
19,961	55,335	Due to correspondent banks	19,977	55,335
390,673	452,440	Deposits	390,733	453,726
109,982	*61,818*	*including collaterized deposits for the loans granted*	*109,982*	*61,818*
138,859	23,376	Loans:	106,761	736
-	-	*Falling due within one year*	-	-
138,859	*23,376*	*Falling due after one year*	*106,761*	*736*
549,493	**531,151**	**Total due to banks and other financial institutions**	**517,471**	**509,797**
1,219	167	Accrued interest	1,138	167
550,712	**531,318**	**Total due to banks and other financial institutions, net**	**518,609**	**509,964**

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 carrying amount of LTL'000 7,330 as of 31 December 2005 is pledged to UAB Bonum Publicum for the securization of LTL'000 2,640 loan payable to UAB Bonum Publicum.

NOTE 14 Due to customers

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Due to customers		
536,196	315,494	Current and demand deposits	536,196	315,494
933,295	556,936	Term deposits, letters of credit	933,295	541,619
1,469,491	**872,430**	**Total due to customers**	**1,469,491**	**857,113**

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Current and demand deposits		
454,107	264,034	Companies	454,107	264,034
82,089	51,460	Individuals	82,089	51,460
536,196	**315,494**		**536,196**	**315,494**
		Term deposits		
271,493	84,843	Companies	271,493	84,843
654,599	467,781	Individuals	654,599	452,464
926,092	**552,624**		**926,092**	**537,307**
7,203	4,312	Accrued interest	7,203	4,312
1,469,491	**872,430**	**Total due to customers**	**1,469,491**	**857,113**

NOTE 15 Debt securities in issue

In November 2005 the Bank issued bonds at a nominal value of LTL'000 15,000 with a 4.1% discount. The bonds maturity period is 366 days until the 8th November 2006.

NOTE 16 Subordinated loans

At 31 December 2005 the Bank had two subordinated loans amounting to USD'000 3,000 (LTL'000 8,730) with subordinated loans accrued interest of USD'000 112 (LTL'000 327).

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 2004 the Bank received its 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 received the second subordinated loan in the amount of USD'000 1,500. The annual interest rate is 12 month USD LIBOR, which according to the agreement is 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 the subordinated loans to the Bank's tier 2 capital.

NOTE 17 Other liabilities

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Other liabilities:		
2,861	1,875	Prepayments from customers for finance leases	-	-
12,530	10,178	Trade payables for finance lease goods suppliers	-	-
2,805	3,678	Suspense accounts	2,805	3,678
647	300	Deposit insurance accrued expenses	647	300
98	182	Finance lease payable	1,727	2,504
4,750	3,282	Compulsory social and health insurance funds	4,750	3,282
2,006	1,749	Accrued income and deferred expenses	93	71
3,570	292	Liabilities due derivative financial instruments	3,570	292
24,916	4,277	Other liabilities	18,538	3,367
54,183	**25,813**	**Total other liabilities**	**32,130**	**13,494**

NOTE 18 Share capital

AIssued share capital as of 31 December 2005 consisted of 10,559,000 (31 December 2003: 8,892,333) ordinary shares with par value of LTL 12 each. All shares are fully paid.

On 22 November 2005 the share capital of the Bank was increased by LTL'000 20,000. New 1,666,666 ordinary shares with par value of LTL 12 each were issued and paid in cash.

At the shareholders meeting on 24 March 2005, dividends in respect of 2004 of LTL 0.12 per share amounting to total of LTL'000 1,066 were proposed. The financial statements for the year 31 December 2004 do not reflect this resolution, which was accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2005.

No dividends were paid or proposed during 2004.

On 23 December 2005 the shareholders of the Bank decided to change the par value of Bank's ordinary shares from LTL 12 to LTL 1 for each share. New bylaws of the Bank was registered in Legal person's register on 6 February 2006. The authorized capital of the Bank is LTL'000 126,708 and consist of 126,708,000 ordinary shares with par value of LTL 1 each.

Considering the changes of share par value and corresponding change in number of shares the Bank's and the Group's 2005 basic earnings per share would be LTL 0.18 and LTL 0.19 (2004: LTL 0.07 and LTL 0.10) respectively and diluted earnings per share would be LTL 0.17 and LTL 0.18 (2004: LTL 0.07 and LTL 0.10) respectively (Note 29).

NOTE 19 Interest income and expense

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Interest income:		
198	-	on loans to central bank	198	-
24,988	7,403	on loans to banks and other financial institutions	29,690	11,564
26,984	15,128	on other loans	26,938	14,975
2,460	1,140	on debt securities acquired	2,460	1,140
20,209	17,930	on finance lease	-	-
12	269	other interest income	12	269
74,851	**41,870**	**Total interest income**	**59,298**	**27,948**

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Interest expense		
76	167	on loans to central bank	76	167
11,865	2,035	on liabilities to banks and other financial institutions	10,276	881
22,958	16,225	on deposits due to customers	22,958	16,225
263	49	on subordinated loans	263	49
41	83	on debt securities issued	41	83
35,203	**18,559**	**Total interest expense**	**33,614**	**17,405**

NOTE 20 Fees and commission income and expense

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Fees and commission income		
37,247	12,045	for money transfer operations	37,378	12,046
4,071	1,542	for payment card services	1,607	1,022
951	796	for EUR currency exchange	951	796
1,157	288	for account services	1,157	288
1,619	1,420	for collection of taxes	1,619	1,466
4,615	2,902	for credit services	4,615	2,932
2,023	3,190	for intermediation services	3,610	4,523
4,824	1,695	other	4,696	3,897
56,507	**23,878**	**Total**	**55,633**	**26,970**

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Fees and commission expenses		
13,446	5,391	for money transfer operations	13,078	5,121
1,667	1,392	for payment card services	1,610	1,356
1,101	1,127	for intermediation services	1,105	1,034
418	467	other	418	467
16,632	**8,377**	**Total**	**16,211**	**7,978**

NOTE 21 Net trading income

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Net profit from operations with foreign currency		
6,236	6,636	realized profit (loss)	6,246	6,735
5,073	3,090	unrealized profit (loss)	5,147	2,573
11,309	**9,726**		**11,393**	**9,308**
		Net profit from operations with trading securities		
3,957	314	realized profit (loss)	3,957	314
(368)	931	unrealized profit (loss)	(368)	931
3,589	**1,245**		**3,589**	**1,245**
		Net profit from operations with investment securities		
236	4,896	realized profit (loss)	4,224	4,896
236	**4,896**		**4,224**	**4,896**
		Net loss from operations with derivatives and other financial instruments		
114	(1,710)	realized profit (loss)	114	(1,688)
(1,514)	(1,532)	unrealized profit (loss)	(1,514)	(679)
(1,400)	**(3,242)**		**(1,400)**	**(2,367)**

NOTE 22 Impairment losses on loans and advances

Movements in the provision for impairment losses on loans and advances to banks and other financial institutions, for loans and advances to customers and other assets for the years ended 31 December is as follows:

LTL thousand

The Bank	Loans and advances to banks and other financial institutions	Loans and advances to customers	Finance lease receivable	Other assets	Total
31 December 2003	**-**	**1,458**	**-**	**1,849**	**3,307**
Reversal of provisions	(244)	(3,719)	-	(3,631)	(7,594)
Provisions written off (net)	-	(175)	-	(75)	(250)
Currency exchange rate effect	(24)	(56)	-	(162)	(242)
Provision charged	524	7,270	-	2,615	10,409
31 December 2004	**256**	**4,778**	**-**	**596**	**5,630**
Restatement of provisions according to IAS 39	-	(117)	-	-	(117)
31 December 2004 (as restated)	**256**	**4,661**	**-**	**596**	**5,513**
Reversal of provisions	(3,806)	(15,599)	-	(1,501)	(20,906)
Provisions written off (net)	(2)	(890)	-	-	(892)
Currency exchange rate effect	5	350	-	32	387
Provision charged	6,689	22,193	-	5,805	34,687
31 December 2005	**3,142**	**10,715**	**-**	**4,932**	**18,789**

LTL thousand

The Group	Loans and advances to banks and other financial institutions	Loans and advances to customers	Finance lease receivable	Other assets	Total
31 December 2003	**-**	**1,458**	**1,056**	**1,849**	**4,363**
Reversal of provisions	(244)	(3,719)	-	(3,631)	(7,594)
Provisions written off (net)	-	(175)	(299)	(75)	(549)
Currency exchange rate effect	(24)	(56)	-	(162)	(242)
Provision charged	524	7,270	547	2,615	10,956
31 December 2004	**256**	**4,778**	**1,304**	**596**	**6,934**
Restatement of provisions according to IAS 39	-	(117)	-	-	(117)
31 December 2004 (as restated)	**256**	**4,661**	**1,304**	**596**	**6,817**
Reversal of provisions	(3,806)	(15,599)	-	(1,501)	(20,906)
Provisions written off (net)	(2)	(890)	(589)		(1,481)
Currency exchange rate effect	5	350	-	17	372
Provision charged	6,689	23,338	891	8,093	39,011
31 December 2005	**3,142**	**11,860**	**1,606**	**7,205**	**23,813**

NOTE 23 Other operating income

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
1,081	1,171	Fines and penalties received	25	19
823	1,005	Rent income	402	567
203	35	Gain on sale of fixed assets	160	1,028
7,512	1,068	Result of changes in fair value of investment property	1,800	739
2,115	3,650	Other income	2,811	975
11,734	**6,929**	**Total other operating income**	**5,198**	**3,328**

NOTE 24 Operating expenses

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Operating expenses		
19,042	14,965	Staff expenses (note 25)	16,846	13,090
1,236	1,101	Trainings and business trip expenses	942	673
7,234	4,332	Rent of premises and household expenses	6,719	5,127
2,195	2,153	Transport, post and communication services expenses	1,628	1,609
4,206	2,565	Advertising and marketing expenses	1,808	1,275
3,497	2,947	Depreciation and amortization (notes 10, 11)	3,081	2,070
26,477	16,045	Other expenses (note 26)	21,495	11,693
63,887	**44,108**	**Total**	**52,519**	**35,537**

NOTE 25 Staff expenses

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Staff expenses		
12,981	10,823	Salaries	11,396	9,399
4,501	3,540	Social insurance	3,962	3,089
1,560	602	Other expenses related with salaries	1,488	602
19,042	**14,965**	**Total**	**16,846**	**13,090**

NOTE 26 Other expenses

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Other expenses		
1,570	1,671	Taxes	1,483	1,473
1,280	978	Maintenance of office equipment	935	667
488	676	Other services	488	669
517	463	Custodial expenses	483	438
5,054	2,986	Deposit insurance expenses	5,054	2,986
5,765	2,526	Charity	5,029	1,961
402	383	Rent	231	258
96	649	Maintenance of foreclosed and leased assets	3	649
1,427	-	Fines and penalties paid	1,428	-
9,878	5,713	Other expenses	6,361	2,592
26,477	**16,045**	**Total**	**21,495**	**11,693**

NOTE 27 Income tax

At 31 December income tax expenses composed as follows:

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
3,486	695	Current tax	3,124	497
5,544	-	Income tax correction	5,544	-
(5,164)	-	Deferred tax (note 28)	(6,021)	-
3,866	**695**	**Total**	**2,647**	**497**

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

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
23,498	**11,413**	Profit before tax	**22,309**	**8,110**
3,525	1,712	Tax calculated at a tax rate of 15 %	3,346	1,217
(4,251)	(1,220)	Tax effect of income not subject to tax	(2,765)	(865)
5,629	1,176	Tax effect of expenses not deductible in determining taxable profit	2,543	652
5,544	-	Correction of previous years income tax	5,544	-
(1,539)	-	Increase in deferred tax assets resulting from increase in tax rate (2006 – 19%)	(1,378)	-
(5,772)	(807)	Tax effect of changes in deferred tax asset	(5,168)	91
3,136	**861**		**2,122**	**1,095**
730	(166)	Valuation allowance	525	(598)
3,866	**695**	**Income tax expense**	**2,647**	**497**
16.45 %	6.09 %	Effective tax rate	11.87 %	6.13 %

NOTE 28 Deferred income tax

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
215	-	At the beginning of the year	215	-
36,252	31	Current year changes in deferred tax liabilities	731	219
(7,311)	350	Current year changes in deferred tax assets	(7,156)	594
730	(166)	Changes in valuation allowance	525	(598)
29,886	**215**	**Total (assets) / liability**	**(5,685)**	**215**

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

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Deferred income tax liabilities		
1,339	-	Revaluation of investment property	482	-
165	4	Other liabilities	132	4
34,631	-	Revaluation of fixed assets	-	-
336	215	Revaluation of securities available-for-sale	336	215
36,471	**219**		**950**	**219**
		Deferred income tax assets		
(105)	(36)	Accrued expense	(105)	(7)
(399)	(232)	Provisions	-	(17)
(7,075)	-	Tax loss carried forward	(7,075)	-
(7,579)	**(268)**		**(7,180)**	**(24)**
994	264	Valuation allowances	545	20
35,907	**215**	**Total liabilities**	**336**	**215**
(6,021)	**-**	**Total assets**	**(6,021)**	**-**

The movement for the year ended 31 December 2005 in the Bank and the Group's net deferred tax (assets) / liability position was as follows:

LTL thousand

	The Group 2005	The Bank 2005
At 1 January 2005	**215**	**215**
Charge to income for year (note 27)	(5,164)	(6,021)
Revaluation of construction in progress charged directly to equity	34,835	121
At 31 December 2005	**29,886**	**(5,685)**

NOTE 29 Earnings per share

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Basic earnings per share calculation		
20,248	10,718	Profit attributable to equity holders of the Parent	19,662	7,613
9,057	8,892	Weighted average number of ordinary shares in issue (thousands units)	9,057	8,892
2.24	**1.22**	**Basic earnings per share**	**2.17**	**0.87**

Considering the changes of share par value and corresponding change in number of shares (Note 18) the Bank's and the Group's basic earnings and diluted per share are the following:

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Diluted earnings per share calculation		
20,248	10,718	Profit attributable to equity holders of the Parent	19,662	7,613
223	42	Interest expenses of subordinated loans (net of tax)	223	42
20,471	10,760	Net profit used to determine diluted earning per share	19,885	7,655
9,057	8,892	Weighted average number of ordinary shares in issue (thousands units)	9,057	8,892
426	159	Adjustment for assumed conversation of subordinated loans (thousands units)	426	159
9,483	9,051		9,483	9,051
2.16	**1.20**	**Diluted earnings per share**	**2.10**	**0.86**

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Basic earnings per share calculation		
20,248	10,718	Profit attributable to equity holders of the Parent	19,662	7,613
108,681	106,708	Weighted average number of ordinary shares in issue (thousands units)	108,681	106,708
0.19	**0.10**	**Basic earnings per share**	**0.18**	**0.07**

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Diluted earnings per share calculation		
20,248	10,718	Profit attributable to equity holders of the Parent	19,662	7,613
223	42	Interest expenses of subordinated loans (net of tax)	223	42
20,471	10,760	Net profit used to determine diluted earning per share	19,885	7,655
108,681	106,708	Weighted average number of ordinary shares in issue (thousands units)	108,681	106,708
5,111	1,901	Adjustment for assumed conversation of subordinated loans (thousands units)	5,111	1,901
113,792	108,609		113,792	108,609
0.18	**0.10**	**Diluted earnings per share**	**0.17**	**0.07**

NOTE 30 Acquisitions and disposals

a) Acquisition

In April 2005 the Group acquired a 75% shareholding in OAO Russkij Karavaj, registered in Moscow, Russia. The main business of the company is construction of office building in Moscow and finance intermediary services. In 2005 since the acquisition date the company incurred LTL'000 2,463 of loss.

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

LTL thousand

Cash and cash equivalents	852
Receivables and other assets	9,320
Fixed assets	53,807
Construction contracts in progress	57,829
Due to customers	(65,033)
Other liabilities	(3,078)
Deferred tax liabilities	(12,943)
Minority interest	(10,272)
	30,482
Goodwill	4,315
Total purchase consideration paid (discharged by cash)	**34,797**
Cost of acquisition	34,797
Less: cash and cash equivalents in subsidiary acquired	852
Cash outflow on acquisition	**33,945**

b) Disposal

On March 2005, the Group disposed 100% of the share capital of its subsidiary UAB Optimalus Turto Valdymas, registered in Kaunas, Lithuania. The main business of the company is finance intermediary services. In 2005 up to the disposal date the company earned LTL'000 110 of net profit.

The details of assets and liabilities disposed and the disposal consideration are as follows:

LTL thousand

Cash and cash equivalents	-
Investments	2,400
Receivables and other assets	13
Fixed assets	27,816
Due to banks	(26,013)
Other liabilities	(19)
Net assets	**4,197**
Proceeds from sale (discharged by cash)	4,200
Less: cash and cash equivalents in subsidiary sold	-
Cash inflow on sale	**4,200**

NOTE 31 Cash and cash equivalents

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
14,508	11,113	Cash	14,508	11,113
380,231	494,063	Demand deposits in other banks and financial institutions up to 3 months	379,371	493,898
99,113	24,621	Placements with Bank of Lithuania	99,113	24,621
1,169	7,851	Short-term Government securities	1,169	7,851
495,021	**537,648**	**Cash and cash equivalents at the end of the period**	**494,161**	**537,483**

NOTE 32 Capital adequacy

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.

The capital adequacy ratio on 31 December 2005 is presented in the tables below:

The Bank

Balance sheet assets items (net value)	Book value	Risk weight, %	Risk weighted assets
	A	B	C=A*B
Group 1	**218,711**	**0**	
Cash and balances with central bank	111,842		
Loans secured by pledged deposit	106,869		
Group 2	**664,470**	**20**	**132,894**
Loans to Zone A banks and securities of these banks	607,297		
Loans to the banks of the Republic of Lithuania	55,394		
Collected, but not recalculated monetary receipts	1,779		
Group 3	**19,212**	**50**	**9,606**
Loans granted to local management institutions	-		
Loans secured by mortgaged living premises	13,245		
Accrued income and deferred expenses	5,967		
Group 4	**1,098,992**	**100**	**1,098,992**
Loans to Zone B and C central banks	95,005		
Pledged deposits with banks and other credit or financial institutions	11,900		
Other loans	817,788		
Securities not specified in previous items	91,510		
Fixed assets (with the exception of intangible assets)	27,371		
Other assets	55,418		
Total	**2,001,385**		**1,241,492**
Off-balance sheet items	142,664		51,837
Total banking book			**1,293,329**
Total trading book			**138,375**
Capital Base			**150,591**
Total risk weighted assets and off-balance sheet items			1,431,704
Capital adequacy ratio, %			**10.52**

The Group

Balance sheet assets items (net value)	Book value	Risk weight, %	Risk weighted assets
	A	B	C=A*B
Group 1	**218,711**	**0**	
Cash and balances with central bank	111,842		
Loans secured by pledged deposit	106,869		
Group 2	**664,516**	**20**	**132,903**
Loans to Zone A banks and securities of these banks	607,297		
Loans to the banks of the Republic of Lithuania	55,440		
Collected, but not recalculated monetary receipts	1,779		
Group 3	**20,901**	**50**	**10,451**
Loans granted to local management institutions	-		
Loans secured by mortgaged living premises	13,245		
Accrued income and deferred expenses	7,656		
Group 4	**1,270,999**	**100**	**1,270,999**
Loans to Zone B and C central banks	113,252		
Pledged deposits with banks and other credit or financial institutions	11,900		
Other loans	494,571		
Securities not specified in previous items	92,780		
Fixed assets (with the exception of intangible assets)	358,559		
Other assets	199,937		
Total	**2,175,127**		**1,414,353**
Off-balance sheet items	138,335		47,574
Total banking book			**1,461,927**
Total trading book			**150,738**
Capital Base			**207,778**
Total risk weighted assets and off-balance sheet items			1,612,665
Capital adequacy ratio, %			**12.88**

The capital adequacy ratio on 31 December 2004 (as restated) is presented in the tables below:

The Bank

Balance sheet assets items (net value)	Book value	Risk weight, %	Risk weighted assets
	A	B	C=A*B
Group 1	**140,417**	**0**	
Cash and balances with central bank	80,805		
Loans secured by pledged deposit	59,612		
Group 2	**355,689**	**20**	**71,138**
Loans to Zone A banks and securities of these banks	334,773		
Loans to the banks of the Republic of Lithuania	19,361		
Collected, but not recalculated monetary receipts	1,555		
Group 3	**9,167**	**50**	**4,584**
Loans granted to local management institutions	140		
Loans secured by mortgaged living premises	3,655		
Accrued income and deferred expenses	5,372		
Group 4	**893,240**	**100**	**893,240**
Loans to Zone B and C central banks	316,233		
Pledged deposits with banks and other credit or financial institutions			
Other loans	524,563		
Securities not specified in previous items	410		
Fixed assets (with the exception of intangible assets)	21,230		
Other assets	30,804		
Total	**1,398,513**		**968,962**
Off-balance sheet items	85,281		30,154
Total banking book			**999,116**
Total prekybos knygos knyga			**93,500**
Capital Base			**107,691**
Total risk weighted assets and off-balance sheet items			1,092,616
Capital adequacy ratio, %			**9.86**

The Group

Balance sheet assets items (net value)	Book value	Risk weight, %	Risk weighted assets
	A	B	C=A*B
Group 1	**140,417**	**0**	
Cash and balances with central bank	80,805		
Loans secured by pledged deposit	59,612		
Group 2	**355,764**	**20**	**71,153**
Loans to Zone A banks and securities of these banks	334,688		
Loans to the banks of the Republic of Lithuania	19,521		
Collected, but not recalculated monetary receipts	1,555		
Group 3	**10,324**	**50**	**5,162**
Loans granted to local management institutions	140		
Loans secured by mortgaged living premises	3,653		
Accrued income and deferred expenses	6,531		
Group 4	**949,471**	**100**	**949,471**
Loans to Zone B and C central banks	316,152		
Pledged deposits with banks and other credit or financial institutions			
Other loans	266,724		
Securities not specified in previous items	4,056		
Fixed assets (with the exception of intangible assets)	227,608		
Other assets	134,931		
Total	**1,455,976**		**1,025,786**
Off-balance sheet items	**88,893**		**29,288**
Total banking book			**1,055,074**
Total prekybos knygos knyga			**89,288**
Capital Base			**116,164**
Total risk weighted assets and off-balance sheet items			1,144,362
Capital adequacy ratio, %			**10.15**

NOTE 33 Liquidity

As of 31 December 2005 the Bank's assets and liabilities by remaining period of maturity were as follows:

LTL thousand

	Up to 1 month	1–3 month	3-12 months	1-5 years	5 years and up	Unlimited period	Total
Assets:							
Cash	-	-	-	-	-	14,508	14,508
Funds with central banks	99,113	-	-	-	-	-	99,113
Loans and advances to banks and other financial institutions	737,333	240,409	92,465	128,140	-	30	1,198,377
Loans and advances to customers	82,891	54,966	133,755	204,683	22,287	4,844	503,426
Finance lease receivables	-	-	-	-	-	-	-
Debt securities	946	2,150	3,603	185,370	52,654	-	244,723
Equity securities	-	-	-	-	-	31,755	31,755
Fixed assets	-	-	-	-	-	28,677	28,677
Other assets	9,930	17,674	893	6,623	2,250	25,919	63,289
Total assets	**930,213**	**315,199**	**230,716**	**524,816**	**77,191**	**105,733**	**2,183,868**
Liabilities:							
Deposits from banks and other financial institutions	284,038	24,000	114,424	96,147	-	-	518,609
Due to customers	816,275	148,115	411,100	93,226	775	-	1,469,491
Other liabilities	30,765	133	5,375	10,110	-	-	46,383
Total liabilities	**1,131,078**	**172,248**	**530,899**	**199,483**	**775**	**-**	**2,034,483**
Net position	**(200,865)**	**142,951**	**(300,183)**	**325,333**	**76,416**	**105,733**	**149,385**

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

LTL thousand

Total assets	**730,368**	**60,369**	**207,591**	**256,516**	**138,021**	**110,645**	**1,503,510**
Total liabilities	**858,137**	**128,557**	**335,141**	**67,018**	**4,189**	**365**	**1,393,407**
Net position	**(127,769)**	**(68,188)**	**(127,550)**	**189,498**	**133,832**	**110,280**	**110,103**

As of 31 December 2005 the Group's assets and liabilities by remaining period of maturity were as follows:

LTL thousand

	Up to 1 month	1–3 month	3-12 months	1-5 years	5 years and up	Unlimited period	Total
Assets:							
Cash	14,508	-	-	-	-	-	14,508
Funds with central banks	99,113	-	-	-	-	-	99,113
Loans and advances to banks and other financial institutions	738,193	16,124	59,276	29,333	-	30	842,956
Loans and advances to customers	85,164	58,524	170,674	212,654	22,287	4,620	553,923
Finance lease receivables	16,733	21,165	62,133	20,953	-	442	121,426
Debt securities	946	2,150	3,603	185,370	52,654	-	244,723
Equity securities	-	-	-	-	-	29,425	29,425
Fixed assets	-	-	-	-	-	364,603	364,603
Other assets	11,567	17,964	9,928	6,914	2,250	39,448	88,071
Total assets	**966,224**	**115,927**	**305,614**	**455,224**	**77,191**	**438,568**	**2,358,748**
Liabilities:							
Deposits from banks and other financial institutions	289,499	29,000	133,426	98,787	-	-	550,712
Due to customers	816,275	148,115	411,100	93,226	775	-	1,469,491
Other liabilities	51,807	740	6,267	9,286	-	35,907	104,007
Total liabilities	**1,157,581**	**177,855**	**550,793**	**201,299**	**775**	**35,907**	**2,124,210**
Net position	**(191,357)**	**(61,928)**	**(245,179)**	**253,925**	**76,416**	**402,661**	**234,538**

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

LTL thousand

Total assets	**742,903**	**71,877**	**209,065**	**156,451**	**60,029**	**317,002**	**1,557,327**
Total liabilities	**879,223**	**134,084**	**340,908**	**83,628**	**4,189**	**365**	**1,442,397**
Net position	**(136,320)**	**(62,207)**	**(131,843)**	**72,823**	**55,840**	**316,637**	**114,930**

NOTE 34 Open foreign currency position

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 capital.

The Group				The Bank	
Position	Position as percentage of capital		Rates	Position	Position as percentage of capital
13,374	6.44	U.S. Dollars (USD)	2.9102	3,604	2
(176)	(0.08)	Swiss franc (CHF)	2.2152	(176)	(0.12)
134,681		Euro (EUR)	3.4528	120,018	
357	0.17	Pound sterling (GBP)	5.0141	358	0.24
(14,011)	(6.74)	Russian ruble (RUB)	0.101312	283	0.19
301	0.14	Other currencies (long position)	various	301	0.20
(27)	(0.01)	Other currencies (short position)	various	(27)	(0.02)
14,032	6.75	Total of long position (+)		4,546	3.02
(14,214)	(6.84)	Total of short position (-)		(203)	(0.13)
(14,214)	**(6.84)**	**Total open position**		**4,546**	**3.02**

Total open foreign currency position has fluctuated from 0.36% to 3.02% during 2005. The biggest open foreign currency position was in USD and has fluctuated from 0.24% to 2.39%.

NOTE 35 Related party transactions

The Bank	Members of the Board	Members of the Council	Shareholders	Other related parties
2005				
Loans, finance lease	607	774	-	13,390
Average interest rate, %	3.7	3.89	-	4.71
Income	7	12	2	872
Deposits	127	141	17	501
Average interest rate, %	0.77	2.91	-	4.19
Expenses	-	-	-	2
2004				
Loans, finance lease	95	135	14,955	261
Average interest rate, %	4.5	6.36	7	4
Income	4	13	2	478
Deposits	30	460	623	297
Average interest rate, %	-	0.39	0.36	4.4
Expenses	-	1	1	23

For the year ended 31 December 2005 the Bank's management payroll and related taxes expenses amounted to LTL'000 1,487 (2004:LTL'000 1,047).

As of 31 December 2005 and for the year then ended Bank's related party transactions were as follows:

Related parties	Payables	Receivables	Income received	Expenses
UAB Ūkio banko lizingas	619	98,811	196	6,661
UAB Turto valdymo sistemos	24	96,581	55	129
UAB Turto valdymo strategija	23	98,680	61	69
UAB Turto valdymo sprendimai	71	79,642	107	142

In April 2005 UAB Turto valdymo strategija acquired a 75% shareholding in OAO Russkij Karavaj, registered in Moscow, Russia. OAO Russkij Karavaj payable amounts to Bank's subsidiaries UAB Turto valdymo strategija, UAB Turto valdymo sistemos and UAB Turto valdymo sprendimai as of 31 December 2005 were LTL'000 189,530.

The Group	Members of the Board	Members of the Council	Shareholders	Other related parties
2005				
Loans, finance lease	607	774	-	13,390
Average interest rate, %	3.7	3.89	-	4.71
Income	7	12	2	872
Deposits	127	141	17	501
Average interest rate, %	0.77	2.91	-	4.19
Expenses	-	-	-	2
2004				
Loans, finance lease	95	135	14,955	261
Average interest rate, %	4.5	6.36	7	4
Income	4	13	2	478
Deposits	30	460	623	297
Average interest rate, %	-	0.39	0.36	4.4
Expenses	-	1	1	23

Other related parties include the Bank's subsidiaries' heads of administration and their close relatives, also companies, which are owned and/or managed by the Bank's shareholders or management.

The transactions with related parties were concluded on an arm's length basis.

NOTE 36 Contingent assets and liabilities and commitments

LTL thousand

The Group			The Bank	
2005	(as restated) 2004		2005	(as restated) 2004
		Claims and liabilities		
13,903	14,578	Guarantees and warranties	14,053	14,826
10,417	10,673	Commitments to issue letters of credit	10,417	13,087
113,922	63,356	Irrevocable lending commitments	117,731	56,624
1,938,658	412,384	Spot liabilities	2,026,917	412,384
1,938,945	412,380	Spot claims	2,027,005	412,380
98	286	Other off balance commitments	468	744

As of 31 December 2005 UAB Ūkio Banko Lizingas has finance lease contracts in the amount of LTL'000 2,574 signed, but not yet executed (31 December 2004 –LTL'000 2,440).

Finance lease – as of 31 December 2005 the Bank has outstanding finance lease obligations under finance lease contracts in the amount of LTL'000 2,097 (31 December 2004: LTL'000 2,352). 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 2005 amounting to LTL'000 22,998 (31 December 2004: LTL'000 11,610).

At 31 December 2005 the future annual minimum commitments under leases were following:

LTL thousand

	2005		2004	
For the year ending 31 December	**Finance lease**	**Operating lease**	**Finance lease**	**Operating lease**
2005	-	-	881	3,119
2006	910	4,120	745	1,207
2007	904	3,424	739	1,171
2008	427	3,336	291	1,089
2009	91	3,319	30	1,470
2010	-	3,179	-	-
Thereafter	-	5,620	-	3,554
Minimum lease payments	**2,332**	**22,998**	**2,686**	**11,610**
Less: interest	(235)		(334)	
Present value of minimum lease payments	**2,097**		**2,352**	

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 2005 and 2004 the Group was not involved in any legal proceedings except for those related to loan loss recovery.

NOTE 37 Derivative financial instruments

LTL thousand

	The Bank 2005			
Derivative financial instruments	**Foreign exchange purchase/ sale agreements**	**Interest rate agreements**	**Related to equity**	**Other**
Claims	**1,307,195**	**-**	**-**	**-**
Forward	1,240,742	-	-	-
Swaps	66,453	-	-	-
Liabilities	**1,307,101**	**64,296**	**-**	**-**
Forward	1,240,589	-	-	-
Swaps	66,512	-	-	-
Futures	-	64,296	-	-

LTL thousand

	The Group 2005			
Derivative financial instruments	**Foreign exchange purchase/ sale agreements**	**Interest rate agreements**	**Related to equity**	**Other**
Claims	**1,269,362**	**-**	**-**	**-**
Forward	1,202,909	-	-	-
Swaps	66,453	-	-	-
Liabilities	**1,269,267**	**64,296**		
Forward	1,202,755	-	-	-
Swaps	66,512	-	-	-
Futures	-	64,296	-	-

LTL thousand

	The Bank 2004			
Derivative financial instruments	**Foreign exchange purchase/ sale agreements**	**Interest rate agreements**	**Related to equity**	**Other**
Claims	**24,384**	**-**	**-**	**-**
Forward	7,214	-	-	-
Swaps	17,170	-	-	-
	23,471	**-**		
Liabilities	7,180	-	-	-
Forward	16,291	-	-	-
Swaps	**24,384**	-	-	-
Futures	7,214	-	-	-

LTL thousand

	The Group 2004			
Derivative financial instruments	**Foreign exchange purchase/ sale agreements**	**Interest rate agreements**	**Related to equity**	**Other**
Claims	**8,191**	**-**	**-**	**-**
Forward	7,214	-	-	-
Swaps	977	-	-	-
	8,154	**-**		
Liabilities	7,180	-	-	-
Forward	974	-	-	-
Swaps	**8,191**	-	-	-
Futures	7,214	-	-	-

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 2005 and 2004. 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 2005 and 2004 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.

LTL thousand

	The Group 2005		(as restated) The Group 2004	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial Assets:				
Loans and advances to banks and other financial institutions	842,956	844,475	720,677	720,369
Loans and advances to customers	553,923	561,954	280,299	285,873
Finance lease receivables	121,426	123,431	111,490	113,374
Financial Liabilities:				
Deposits from banks other other financial institutions	550,712	554,240	531,318	532,046
Due to customers	1,469,491	1,473,718	872,430	925,210

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

Financial Instruments with carrying amount equal to fair value.

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

Loans and advances to banks and other financial institutions

Loans and advances to banks and other financial institutions 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 to customers 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.

Due to customers

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 2005 the Group has an exposure of LTL'000 323,032 (2004: 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 62,267 (2004: LTL'000 297,807) as of 31 December 2005. As of 31 December 2005 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 2005. Included in the table are the Bank's and the Group's assets and liabilities at carrying amounts, categorized by currency.

Concentrations of assets, liabilities and off balance sheet items as of 31 December 2005:

The Bank

	EUR	USD	LTL	Other	Total
Assets					
Cash	3,720	2,614	7,441	733	**14,508**
Balances with central bank	-	-	99,113	-	**99,113**
Loans and advances to banks and other financial institutions	251,496	689,560	206,961	50,360	**1,198,377**
Loans and advances to customers	44,950	163,097	292,526	2,853	**503,426**
Investments to securities at fair value through profit or loss, available-for-sale and held-to-maturity	127,812	100,109	45,234	3,323	**276,478**
Fixed assets	-	-	28,677	-	**28,677**
Deferred tax asset	-	-	6,021	-	**6,021**
Other assets	1,523	20,381	35,364	-	**57,268**
Total assets	**429,501**	**975,761**	**721,337**	**57,269**	**2,183,868**
Liabilities					
Deposits from banks and other financial institutions	105,160	338,699	6,938	67,812	**518,609**
Due to customers	206,382	594,436	660,025	8,648	**1,469,491**
Other liabilities	1,840	15,050	29,366	127	**46,383**
Total liabilities	**313,382**	**948,185**	**696,329**	**76,587**	**2,034,483**
Net balance sheet position	116,119	27,576	25,008	(19,318)	**149,385**
Credit commitments	18,407	42,709	56,615	-	**117,731**
Issued guaranties	6,522	2,687	3,532	1,312	**14, 053**

Concentrations of assets, liabilities and off balance sheet items as of 31 December 2004 (as restated):

LTL thousand

Total assets	311,187	708,262	412,047	72,014	**1,503,510**
Total liabilities	165,440	678,844	481,558	67,565	**1,393,407**
Net balance sheet position	145,747	29,418	(69,511)	4,449	**110,103**
Credit commitments	19,823	5,603	31,198	-	**56,624**
Issued guaranties	4,545	1,544	5,177	3,560	**14,826**

The Group

	EUR	USD	LTL	Other	Total
Assets					
Cash	3,720	2,614	7,441	733	**14,508**
Balances with central bank	-	-	99,113	-	**99,113**
Loans and advances to banks and other financial institutions	249,615	502,166	43,982	47,193	**842,956**
Loans and advances to customers	44,950	163,097	343,023	2,853	**553,923**
Investments to securities at fair value through profit or loss, available-for-sale and held-to-maturity	127,812	100,109	42,890	3,337	**274,148**
Fixed assets		323,032	37,544	4,027	**364,603**
Other assets	1,523	20,381	173,815	13,778	**209,497**
Total assets	**427,620**	**1,111,399**	**747,808**	**71,921**	**2,358,748**
Liabilities					
Deposits from banks and other financial institutions	126,377	338,683	17,840	67,812	**550,712**
Due to customers	206,382	594,430	660,031	8,648	**1,469,491**
Other liabilities	1,914	15,049	45,931	41,113	**104,007**
Total liabilities	**334,673**	**948,162**	**723,802**	**117,573**	**2,124,210**
Net balance sheet position	92,947	163,237	24,006	(45,652)	**234,538**
Credit commitments	18,407	37,190	58,325	-	**113,922**
Issued guaranties	6,522	2,687	3,382	1,312	**13,903**

Concentrations of assets, liabilities and off balance sheet items as of 31 December 2004 (as restated):

LTL thousand

Total assets	315,020	710,625	459,669	72,013	**1,557,327**
Total liabilities	166,802	694,163	513,868	67,564	**1,442,397**
Grynoji balanso pozicija	148,218	16,462	(54,199)	4,449	**114,930**
Credit commitments	19,823	5,603	37,930	-	**63,356**
Issued guaranties	4,545	1,544	4,929	3,560	**14,578**

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 2005. 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 2005:

	Average interest rate, %	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash	-	-	-	-	-	-	14,508	**14,508**
Balances with central bank	-	-	-	-	-	-	99,113	**99,113**
Loans and advances to bankas and other financial institutions	*3.15*	583,860	15,880	92,154	127,975	-	378,508	**1,198 377**
Loans and advances to customers	*7.02*	218,093	50,564	121,823	88,065	22,287	2,594	**503,426**
Investments to securities at fair value through profit or loss, available-for-sale and held-to-maturity	*1.33*	144,626	-	-	94,437	-	37,415	**276,478**
Fixed assets	-	-	-	-	-	-	28,677	**28,677**
Deferred tax asset	-	-	-	-	-	-	6,021	**6,021**
Other assets	*5.5*	35	69	312	4,708	1,016	51,128	**57,268**
Total assets	-	**946,614**	**66,513**	**214,289**	**315,185**	**23,303**	**617,964**	**2,183,868**
Liabilities								
Deposits from banks and other financial institutions	*1.36*	110,740	70,036	114,161	49,416	-	174,256	**518,609**
Due to customers	*2.43*	278,660	146,036	407,844	92,752	775	543,424	**1,469,491**
Other liabilities	*3.58*	-	-	13,591	-	-	32,792	**46,383**
Total liabilities	-	**389,400**	**216,072**	**535,596**	**142,168**	**775**	**750,472**	**2,034,483**
Off balance liabilities sensitive to interest rate changes		64,296	-	-	-	-	-	**64,296**
Interest sensivity gap	-	**492,918**	**(149,559)**	**(321,307)**	**173,017**	**22,528**	**(132,508)**	**85,089**

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

LTL thousand

Total assets	347,947	59,953	207,481	249,070	128,821	510,238	**1,503,510**
Total liabilities	108,261	126,994	340,069	61,163	361	756,559	**1,393,407**
Interest sensitivity gap	**239,686**	**(67,041)**	**(132,588)**	**187,907**	**128,460**	**(246,321)**	**-**

The Group

The table below summarizes the Group's exposure to interest rate risks as of 31 December 2005.

	Average interest rate, %	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash	-	-	-	-	-	-	14,508	**14,508**
Balances with central bank	-	-	-	-	-	-	99,113	**99,113**
Loans and advances to bankas and other financial institutions	*2.20*	584,052	16,124	59,276	29,333	-	154,171	**842,956**
Finance lease receivables	*7.61*	220,366	54,122	158,742	96,036	22,287	2,370	**553,923**
Loans and advances to customers	*14.39*	16,733	21,165	62,133	20,953	-	442	**121,426**
Investments to securities at fair value through profit or loss, available-for-sale and held-to-maturity	*1.33*	144,626	-	-	94,437	-	35,085	**274,148**
Fixed assets	-	-	-	-	-	-	364,603	**364,603**
Other assets	*5.5*	35	69	312	4,708	1,016	81,931	**88,071**
Total assets	-	**965,812**	**91,480**	**280,463**	**245,467**	**23,303**	**752,223**	**2,358,748**
Liabilities								
Deposits from banks and other financial institutions	*1.65*	116,939	75,036	133,163	52,056	-	173,518	**550,712**
Due to customers	*2.43*	278,660	146,036	407,844	92,752	775	543,424	**1,469,491**
Other liabilities	*3.58*	-	-	13,591	-	-	90,416	**104,007**
Total liabilities	-	**395,599**	**221,072**	**554,598**	**144,808**	**775**	**807,358**	**2,124,210**
Off balance liabilities sensitive to interest rate changes		64,296	-	-	-	-	-	**64,296**
Interest sensivity gap		**505,917**	**(129,592)**	**(274,135)**	**100,659**	**22,528**	**(55,135)**	**170,242**

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

LTL thousand

Total assets	359,312	71,315	208,571	149,805	57,016	711,308	**1,557,327**
Total liabilities	118,468	132,103	344,709	79,163	361	767,593	**1,442,397**
Interest sensitivity gap	**240,844**	**(60,788)**	**(136,138)**	**70,642**	**56,655**	**(56,285)**	**-**

NOTE 43 Segment information

LTL thousand

	Banking	Finance lease	Other activities	Elimination	Group
Revenues:					
Internal	6,694	196	223	(7,113)	-
External	131,241	29,019	554	(3,988)	156,826
	137,935	**29,215**	**777**	**(11,101)**	**156,826**
Expenses:					
Internal	112	6,661	340	(7,113)	-
External	99,151	12,913	161	-	112,225
	99,263	**19,574**	**501**	**(7,113)**	**112,225**
Segment result	**38,672**	**9,641**	**276**	**(3,988)**	**44,601**
Impairment losses	13,282	1,878	2,446	-	17,606
Depreciation	3,081	416	-	-	3,497
Profit before tax	**22,309**	**7,347**	**(2,170)**	**(3,988)**	**23,498**
Income tax expenses	(2,647)	(1,207)	(12)	-	(3,866)
Net result for the year	**19,662**	**6,140**	**(2,182)**	**(3,988)**	**19,632**
Attributable to:					
Equity holders of the parent	-	-	-	-	*20,248*
Minority interest	-	-	-	-	*(616)*
Assets	2,183,868	162,590	613,560	(601,270)	2,358,748
Liabilities	2,034,483	153,623	502,789	(566,685)	2,124,210

The Banking segment includes financial information of AB Ūkio Bankas, Finance lease segment includes financial information of UAB Ūkio Banko Lizingas, Other activities segment includes financial information of OAO Russkij Karavaj, UAB Turto Valdymo Strategija, UAB Turto Valdymo Sprendimai and UAB Turto Valdymo Sistemos.

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