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Pursuant to the Rules on Periodic Disclosure of Information about the Issuers’ Activities and their Securities approved by the Securities Commission of Lithuania Resolution No. 21 of 30 May 2002, Annex 1

PROSPECTUS – REPORT FOR THE YEAR 2005

I. GENERAL PROVISIONS

1. Reporting period

Prospectus – report for the year 2005.

2. Main data about the Bank

Name of the Bank:	Akcinė bendrovė Ūkio bankas
Company number:	1120 20136
Registered address:	Maironio g. 25, 44250, Kaunas, Republic of Lithuania
Telephones:	+370 37 301301, 301470
Fax:	+370 37 323188
Telex:	269 897 UKIS LTL
SWIFT:	UKIO LTL 2X
E-mail address:	ub@ub.LTL
Website:	www.ub.LTL
Legal and organizational form:	public limited company

AB Ūkio bankas (hereinafter the Bank) was established on 27 June 1989 and registered with the Bank of Lithuania on 19 November 1990, registration No. AB 90-1.

Firm Name Registration Certificate No. 040814 issued by the State Patent Bureau of the Republic of Lithuania on 6 June 1995 carries the registered firm name: **Akcinė bendrovė Ūkio bankas**

On 1 December 2005 AB Ūkio bankas authorized capital was LTL **126,708,000.00** (one hundred twenty six million seven hundred and eight thousand litas). 10,559,000 ordinary registered shares of the nominal value of LTL 12 were issued. All shares are fully paid-up. All shares have equal property and non-property rights with no restrictions on disposition.

3. Nature of the Bank's core business

Public liability company Ūkio bankas is a credit institution holding licences to engage and engaged in receiving of deposits or other repayable funds from non-professional participants of the market and lending of funds, also holding the right to provide other financial services and assuming the risk and responsibility involved therein.

Pursuant to the Licence No. 1 issued by the Bank of Lithuania on 19 November 1990 AB Ūkio bankas was authorized the right to render licensed financial services, except for the trade in precious metals, as provided for in Article 2(6) of the Law on Banks of the Republic of Lithuania.

Pursuant to Chapter II (3) of AB Ūkio bankas Articles of Association the Bank's operations are as follows:

- acceptance of deposits and other repayable funds;
- lending (including mortgage loans);
- financial leasing;
- money transfer;
- issuing financial assurance and financial guarantee;
- trading for own account or for account of customers in market instruments (cheques, bills, certificates of deposit etc.), foreign exchange, financial futures and options, exchange and interest rate instruments, negotiable securities;
- issuing payment cards and other means of payment and/or performing transactions with them;
- investment services;
- safe custody services;
- providing information and rendering consultations on crediting and payment matters;
- currency exchange (in cash);
- validation of settlements between credit institutions (clearing);
- safekeeping and administration of monetary funds;
- advice to undertakings on capital structure, industrial strategy and related questions and advice and services relating to mergers and the purchase of undertakings;

- money broking;
- portfolio management;
- rendering services in relation to issuing securities;
- issuing and handling of electronic money.
- In addition to financial services the Bank may pursue only such other activities which are inevitable for the rendering financial services, which supports the rendering of financial services or is otherwise related with the rendering of financial services.

The bank's operations are aimed at private and business clients and rendering modern financial services meeting the clients' needs. The Bank offers an extensive choice of payment cards, competitive terms of time deposits, flexible crediting procedures, more and more popular factoring services, safe and modern internet banking system *Eta bankas*, professionally handled money transfers to all countries of the world, bank guarantees, letters of credit, traveller's cheques and bank cheques, cash transactions, trade in foreign currency and securities, consultations on investment activity and rent of safe deposit boxes.

4. Where and when is the issuer's annual prospectus-report for the year 2005 available

The report and other documents on the basis whereof it was prepared (financial statements, auditors conclusions etc.) are available at Financial Brokerage Department of AB Ūkio bankas at Maironio g. 25, in Kaunas, from 8:00 until 12:00 and from 13:00 until 16:00 on business days, on the telephones +370 37 395501, +370 37 301433.

All public notifications provided for by the Law are announces in the Lietuvos rytas daily and material events are delivered to the news agency BNS.

5. Persons responsible for the accuracy of information in the report

AB Ūkio bankas representatives:

CEO Gintaras Ugianskis,

Tel.: +370 37 301305, fax: +370 37 323188

Deputy Director of Finance and Risk Management Department Janina Falkauskienė,

Tel.: +370 37 301320, fax: +370 37 301327

Deputy Director of Financial Brokerage Department Rūta Kalašinskaitė-Kiškienė,

Tel.: +370 37 301432, fax: +370 37 301431

Services of advisors, consultants and intermediaries were not used during the preparation of the report.

6. Confirmation of persons having prepared the report that information contained herein is true and fair.

We hereby confirm that information contained in the prospectus-report for the year 2005 is true and fair and there are no suppressed facts which would reasonably be expected to influence investors' decisions to buy or sell the Bank's securities or to affect the value or valuation of these securities.

Chief Executive Officer

Gintaras Ugianskis

Deputy Director of Finance and Risk Management Department

Janina Falkauskienė

Deputy Director of Financial Brokerage Department

Rūta Kalašinskaitė-Kiškienė

Date: 21 April 2006

Place of report preparation: Kaunas

II. INFORMATION ON THE BANK'S SHARE CAPITAL AND ISSUED SECURITIES

7. The Bank's capital

7.1. Chapter III of the Bank's Articles of Association reads:

"1. The Bank's capital consists of the equity capital and loan capital.

2. The Bank's equity capital is:

- 2.1. authorized capital (reduced by the value of acquired own shares);
- 2.2. reserve capital (uncalled capital);
- 2.3. capital reserve (issue balance);
- 2.4. undistributed profit or loss of the previous year;
- 2.5. fixed tangible asset revaluation reserve;
- 2.6. financial asset revaluation reserve;
- 2.7. mandatory reserve or regulatory capital;
- 2.8. restricted distributable profit;
- 2.9. undistributed profit (loss) of the current year;
- 2.10. special non-distributable reserve."

3. The authorized capital is the nominal value of all registered shares. On 31 December 2005 the Bank's authorized capital of LTL **126,708,000** (one hundred twenty six million seven hundred and eight thousand) was divided into 10,559,000 (ten million five hundred fifty nine thousand) ordinary registered shares. The nominal value of one share was LTL 12 (twelve). On 6 February 2006 three amendments of the articles of association were registered with regard to the change of the nominal value of the shares. At present the Bank's share capital is divided into 126,708,000 ordinary registered shares. The nominal value of one share is LTL 1 (one).

All shares are fully paid-up. All shares have equal property and non-property rights with no restrictions on disposition.

7.2. The Bank has not issued any debt or derivative securities intended to be converted into or replaced by shares.

8. Shareholders

On 31 December 2005 there were 5516 shareholders in the Bank. They owned 10,559,000 of AB Ūkio bankas ordinary registered shares of the nominal value of LTL 12.00. Over 5% of the Bank's authorized capital belonged to the following shareholders:

No.	Shareholder's name /surname, given name	Shareholder's number	Address	Number of shares owned/proportion of authorized capital, %	Number of shares owned/proportion of votes, %	Number of votes held along with acting persons /proportion of votes, %
1	Romanov Vladimir	-	Trakų g. 5-11, Kaunas	2,051,288/19.426	2,051,288/19.426	2,051,288/19.426
2	Romanova Zinaida	-	V.Putvinskio g. 41-1, Kaunas	1,055,860/9.999	1,055,860/9.999	1,055,860/9.999
3	UAB Universal Business Investment Group Mangmt	-	K.Donelaičio 60, Kaunas	1,054,820/9.989	1,054,820/9.989	1,054,820/9.989
4	UAB FMI FinbaLTLus	-	Konstitucijos pr. 23-660, Vilnius	898,077/8.505	898,077/8.505	898,077/8.505
5	UAB Asocijuoto turto valdymas	-	K.Donelaičio g. 60, Kaunas	883,334/8.365	883,334/8.365	883,334/8.365
6	SKANDINAVISKA ENSKILDA BANKEN CLIENTS	-	Sergwls torq 2, 10640 Stocholm, Sweden	777,217/7.360	777,217/7.360	777,217/7.360
Others:				3,838,404/36.35	3,838,404/36.35	3,838,404/36.35
TOTAL				10,559,000/100.00 percent	110,559,000/100.00 percent	10,559,000/100.00 percent

There are no other shareholders acting together in the Bank.

9. Basic characteristic of shares issued into public circulation

Type of shares	AB Ūkio bankas ordinary registered shares (ORS)
Code of shares LCVPD	10235
Number of shares:	10,559,000
Nominal value, LTL:	12 LTL*
Total nominal value of shares, LTL:	126,708,000.00

**On 6 February 2006 amendments of the articles of association were registered with respect to the change of the nominal value of shares from LTL 12 into LTL 1 correspondingly increasing the number of shares.*

The Bank has circulated all issued shares publicly and independently. The shares were circulated in the Bank's head office and branch offices.

10. Information about the shares which are registered and placed for non-public circulation of securities

The Bank does not hold any shares registered and placed for non-public circulation of securities.

11. Information about depository receipts issued on the basis of shares

Depository receipts were not issued on the basis of the Bank's shares.

12. The main characteristics of debt securities issued into public circulation of securities

Debt securities referred to in clause 13 below are AB Ūkio bankas registered bonds issued to public circulation and registered by Lithuanian Securities Commission Resolution No.2K-8 of 12 January 2006 approving the prospectus of the bonds issue for listing them onto the debt securities list of Vilnius Stock Exchange. Since 01-02-2006 the bonds have been listed in Vilnius Stock Exchange. There are no restrictions for free transfer of the bonds.

13. Information about debt securities which are registered and placed for non-public circulation of securities

Type of bonds	AB Ūkio bankas registered bonds
Code of bonds LCVPD	LTL0000401259
Number of bonds:	150,000
Nominal value, LTL:	100 LTL
Issue price, LTL	95.9985 LTL
Interest rate, percent	4.1 percent of the bond issue price
Maturity	366 days
Redemption price	at nominal value of 100.00 LTL
Redemption date	8 November 2006
Total nominal value of the bonds, LTL:	LTL 15 million

On 7 November 2005 AB Ūkio bankas placed for non-public circulation the issue of 366-days-maturity bonds of the nominal value of LTL 15 million. 150,000 registered bonds with 4.1 percent annual interest rate were issued. The bonds will be redeemed on 8 November 2006 at the nominal value of 100.00 LTL. Interest rate is intended to be paid on the day of redemption. The bonds are not redeemable prior to the redemption day neither upon the Bank's nor the bond owner's request. The interest rate is calculated into the nominal value and paid on the day of bond redemption.

14. Securities which do not certify the participation in the share capital

The Bank has not issued other securities which do not certify the participation in the share capital.

III. INFORMATION ABOUT SECONDARY CIRCULATION OF THE BANK'S SECURITIES

15. Securities included into trading lists of stock exchanges

AB Ūkio bankas ordinary registered shares and bonds are traded on AB Vilnius Stock Exchange (VSE) (Konstitucijos pr. 7, Business Centre Europa, Floor 15, Vilnius). The shares have been quoted in the current list of VSE since 01-06-1998.

Name of Stock Exchange	AB Vilniaus vertybinių popierių birža
Trading list	Current
Type of security	AB Ūkio bankas ORS
Security ISIN code	LTL0000102352
Number of securities	10,559,000
Total nominal value of securities, LTL.	126,708,000.00

AB Ūkio bankas bonds have been quoted in debt securities list since 01-02-2006. The nominal value of one bond expressed in Lithuanian national currency litas is LTL 100.00; bonds are quoted in litas and the trade is performed in litas.

Name of the stock exchange	AB Vilniaus vertybinių popierių birža
Trading list	Debt securities
Name of security	AB Ūkio bankas nominal bonds
Security ISIN code	LTL0000401259
Number of securities	150,000
Total nominal value of securities, LTL.	15,000,000.00

16. Trading in Issuer's securities on stock exchanges

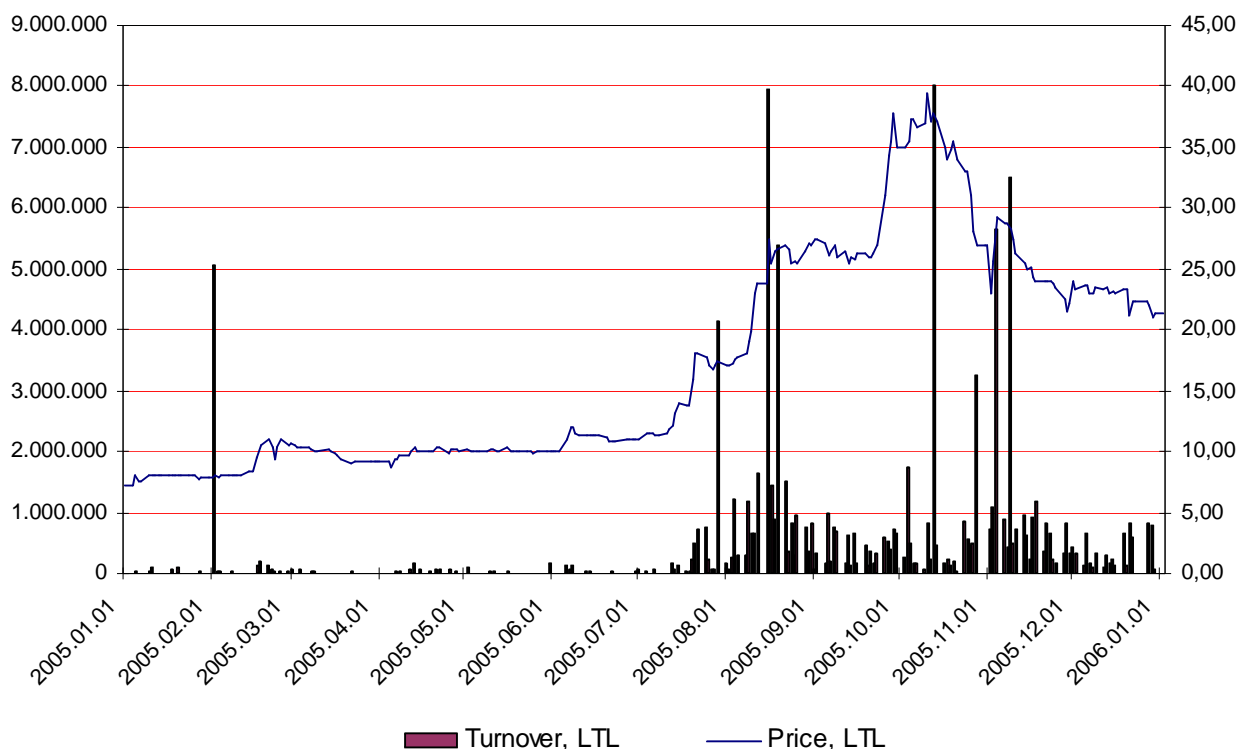
The closing price of AB Ūkio bankas ordinary registered shares traded on the central market of VSE over the last 8 quarters (01-01-2004 – 31-12-2005) ranged as follows:

The statistics of automatic transactions with AB Ūkio bankas shares in Vilnius Stock Exchange:

Period		Price, LTL			Turnover, LTL			Total turnover	
		max.	min.	last session	max.	min.	last session	units	LTL
01.01.2004	01.07.2004	7.20	5.80	7.15	116,477	0	21,487	89,035	568,350
01.04.2004	01.10.2004	7.30	6.00	6.50	178,908	0	0	90,431	608,563
01.07.2004	01.07.2004	6.55	6.00	6.07	55,307	0	2361	14,002	87,275
01.10.2004	01.10.2004	7.7	6.07	7.28	28,178	0	218	29,641	195,956
Total during 2004:								223,109	1,460,144
01.07.2005	01.07.2005	11.00	7.28	9.20	5,046,126	0	0	986,441	6,407,711
01.10.2005	01.10.2005	12.00	8.70	11.00	159,527	0	17,754	140,391	1,473,556
01.07.2005	01.07.2005	37.73	11.00	35.00	7,964,729	0	658,665	2,515,271	44,632,587
01.10.2005	01.10.2005	39.40	20.99	21.30	8,016,796	0	57,694	2,214,449	49,856,860
Total during 2005:								5,856,552	102,370,714

The last trading session of the reporting period (from 04-01-2005 until 31-12-2005) on VSE during which AB Ūkio bankas shares were quoted took place on 30-12-2005. The closing price per share during this session was LTL 21.30. 2742 shares were sold for LTL 57,693.90 in the Central Market.

AB Ūkio bankas share prices and turnover in VSE during 2005



Statistics of direct transaction with AB Ūkio bankas ordinary registered shares:

Period		Average price, LTL	Turnover, shares	Turnover, LTL
01.01.2004	01.07.2004	1.01	1,000	1,010
01.04.2004	01.10.2004	4.01	10,000	40,050
01.07.2004	01.07.2004	9.93	223,91	2,218,905
01.10.2004	01.10.2004	6.32	1,935,237	12,224,374
Total during 2004:			2,169,728	14,484,339
01.07.2005	01.07.2005	6.02	841,428	5,062,873
01.10.2005	01.10.2005	10.00	15,300	153,040
01.07.2005	01.07.2005	13.89	2,108,545	29,297,483
01.10.2005	01.10.2005	19.45	1,315,469	25,591,732
Total during 2005:			4,280,742	60,105,128

16.2 Trading in other stock exchanges

AB Ūkio bankas has no plans regarding the listing of shares onto the trading lists of other stock exchanges.

16.3 Trading in other organized markets

AB Ūkio bankas shares were not traded in other organized markets.

17. Market capitalization of securities

Capitalization of AB Ūkio bankas shares is presented by reporting dates of each month. From 01-01-2005 until the authorized capital was increased by the new share issue (22-11-2005) the Bank's authorized capital was LTL 106,707,996.00 consisting of 8,892,333 ordinary registered shares of the nominal value of LTL 12.00 each. From 22-11-2005 the Bank's share capital was increased up to LTL 126,708,000.00. The total number of shares was 10,559,000 ordinary registered shares of the nominal value of LTL 12.00.

Date	Closing price on CM, LTL	Capitalization, LTL
31-03-2005	9.20	81,809,464
30-06-2005	11.00	97,815,663
30-09-2005	35.00	311,231,655
30-12-2005	21.30	224,906,700

18. Trading in the Issuer's securities outside the stock exchange

Statistical data on OTC deals in AB Ūkio bankas shares over the last 8 quarters (period from 01-01-2004 until 31-12-2005):

	Price, LTL		Cash Settlement			Scrip settlement		Total number of shares
	Max.	Min.	Number of shares	Amount, LTL	Number of deals	Number of shares	Number of deals	
2004, Q1	4.00	4.00	3000	12,000.00	1	141	4	3,141.00
2004, Q2	4.10	4.10	3000	12,302.00	1	232	6	3,232.00
2004, Q3	0.00	0.00	0	0.00	0	228,655	3	228,655.00
2004, Q4	4.70	4.35	2800	12,618.00	2	27	3	2,827.00
Total:			8800	36,920	4	229,055	16	237,855.00
2005, Q1	5.30	4.64	7542	38,119.00	2	47	3	7,589.00
2005, Q2	5.41	5.41	4742	25,653.00	1	2,906	8	7,648.00
2005, Q3	26.41	6.00	84,726	104,9931.00	16	2,270	8	86,996.00
2005, Q4	28.90	6.00	216,619	3,690,075.00	52	885,488	15	1,102,107.00
Total:			313,629	4,803,778.00	71	890,711	34	1,204,340.00

19. Information about the repurchase of own shares by the Issuer

During the period from 01-01-2005 until 31-12-2005 the Bank did not perform any transaction with its own shares.

20. Announcement of the official tender offer

During the reporting period from 01-01-2005 until 31-12-2005 no official tender of third parties regarding the buying of AB Ūkio bankas shares was announced.

During the same period AB Ūkio bankas did not announce any public tenders regarding the buying of other issuers' shares.

21. Issuer's paying agents

The issuer has no paying agents.

22. Agreements with intermediaries of public trading in securities

The Bank has entered into service agreements with the following intermediaries of public circulation:

Name	Address	Type of agreement
UAB FMĮ FinbaLTLus	Konstitucijos pr. 23-660, Vilnius	Securities account maintenance agreement
UAB FMĮ Finasta	Konstitucijos pr., Vilnius	Agreement on recording securities and monetary funds, custody, lending, accepting and execution of money transfer instructions
UAB FMĮ Suprema	Goštauto g. 40, Vilnius	Securities and cash account handling agreement
AB Vilniaus bankas	Gedimino 12, Vilnius	Client servicing agreement, securities accounting and custody agreement
AB Bankas Hansabankas	Savanorių pr. 19, Vilnius	Securities account handling agreement
AB Parex bankas Finance Brokerage Department	Kražių g. 21, Vilnius	Agreement on recording securities and monetary funds, custody, lending, accepting and execution of money transfer instructions
AB bankas NORD/LB Lithuania	Vilniaus g. 28, Vilnius	Client servicing agreement
AB naftos investicinė kompanija NIKOIL	Jefremovo 8, 119048 Moscow	Securities transactions servicing agreement
OA O Interprombank	Gogolio bulv. 9/1, Maskva, Rusija	Securities depository account agreement
A/O Rietumu banka	Brivibas 54, Riga, Latvija	Broker's services agreement
Balkan Investment Broker	Krajiških brigada br. 2, Banja Luka, Srpska Republika	Broker's services agreement
Nova Banka A.D. Bijeljina	Banja Luka, Srpska Republika	Broker's services agreement
Deutsche Bank AG London	Winchester House, 1 Great Winchester Street, London, UK	Securities custody agreement
SC Parex Asset Management	Basteja Boulevard 14, LV-1050 Riga	Securities account management agreement

IV. INFORMATION ABOUT THE ISSUER'S ACTIVITIES

23. Legal grounds for the Issuer's activities

In its operation the Bank follows the Constitution of the Republic of Lithuania, Civil Code, Law on Banks of the Republic of Lithuania and legal acts adopted by the supervising institution, the Bank's articles of association. The Bank also follows the Republic of Lithuania Law on Financial Undertakings, Companies Law and other legal acts unless the Law on Banks provides otherwise.

The Bank was registered with the Bank of Lithuania on 19 November 1990, registration No. AB 90-1.

The last edition of the Bank's articles of association was registered with the State Enterprise Centre of Registers on 06-02-2006.

The company's registration number is **1120 20136**

24. Membership in associated structures

AB Ūkio bankas takes part in the activities of the following organizations and associated structures:

1. Lithuanian Banks Association
2. Kaunas Chamber of Commerce, Industry and Crafts
3. Industrialists and Employers Association of Kaunas Region
4. Klaipėda Chamber of Commerce, Industry and Crafts
5. Šiauliai Chamber of Commerce, Industry and Crafts
6. Vilnius Chamber of Commerce, Industry and Crafts
7. Knowledge Economy Forum
8. Lithuanian Financial Brokers Association
9. Vilnius Stock Exchange
10. Internal Auditor's Association
11. Lithuanian Property Valuers Association
12. Brussels International Banking Club
13. The Baltic Countries and Kazakhstan Association Kazbalt
14. S.W.I.F.T. Association
15. MasterCard International Incorporated
16. American Express (official distributor of payment cards and travellers cheques)
17. Thomas Cook (official agent of travelers cheques)
18. Correspondent Network CONTACT
19. Reuters (User of Reuters Dealing System)
20. Travelex Money Transfer money transfer system
21. Payment System Litās

1) Lithuanian Banks Association

The Bank is member of the Lithuanian Banks Association.

Lithuanian Banks Association was registered on 14 November 1991.

Address: Ankštoji g. 5, LTL-01109 Vilnius, Lithuania;

Tel.: +370 5 2496669, fax: +370 5 2496139

E-mail: info@lba.lt

www.lba.lt

The main goal of the Association is to consolidate the banking industry, improve its image in Lithuania and abroad. The Association supports banking research, studies, education and qualification enhancement in Lithuania and abroad, preparation and examination of banking education programs, banking laws on and acts of law. The Association represents and protects the interests of its members in state government and administration bodies and other institutions; submits offers to the Bank of Lithuania with respect to the normative acts issued within its competence and offers to the Government of Lithuania with respect to resolutions adopted by the Government on banking matters; networks with international financial organizations, foreign banks and their associations.

2) Kaunas Chamber of Commerce, Industry and Crafts

The Bank has been member of Kaunas Chamber of Commerce, Industry and Crafts since 1995.

Kaunas Chamber of Commerce, Industry and Crafts was established in 1991.

Address: K. Donelaičio g. 8, LTL- 44213 Kaunas

Tel.: +370 37 229212, fax +370 37 208330

E-mail: chamber@chamber.lt

www.chamber.lt

The Chamber pursues the goal to represent and protect legitimate interests of its members in Lithuanian Seimas and the Government, national councils and commissions, promote development of legitimate

businesses and branches of economy in Kaunas region, improve the business environment and render services encouraging entrepreneurship.

3) Industrialists and Employers Association of Kaunas Region

The Bank is member of Industrialists and Employers Association of Kaunas Region.

Address: K. Donelaičio g. 2, Room 119, LTL- 44213 Kaunas

Tel.: +370 37 409577, 409578, fax: +370 37 409577

E-mail: info@pramone.lt

www.pramone.lt

The Industrialists and Employers Association of Kaunas Region was registered on 15 August 1996.

The association pursues the basic goals to improve the economic wellness of the Lithuanian nation by uniting all Lithuanian traders, industrialists and craftsmen and taking care of their legal, economic and cultural affairs, enhancing their qualification and supporting Lithuanian trade, industry and crafts.

4) Klaipėda Chamber of Commerce, Industry and Crafts

The Bank is member of Klaipėda Chamber of Commerce, Industry and Crafts.

Address: Danės g. 17, LTL-92117 Klaipėda

Tel.: +370 46 390861

Fax: +370 46 410626

E-mail: klaipeda@chambers.lt

www.kcci.lt

Klaipėda Chamber of Commerce, Industry and Crafts has 250 members, representatives of the biggest companies of the region as well as small and medium businesses among them. The Chamber represents interests of businessmen from Klaipėda and ir Tauragė regions and aims at developing business in these regions. The Chamber supports the development of small and medium business and export and is active participant of different international projects and programs.

5) Šiauliai Chamber of Commerce, Industry and Crafts

The Bank is member of Šiauliai Chamber of Commerce, Industry and Crafts.

Address: Vilniaus g. 88, LTL-76285 Šiauliai

Tel.: +370 41 523224

Fax: +370 41 523903

E-mail: siauliai@chambers.lt

www.rumai.lt

Šiauliai Chamber of Commerce, Industry and Crafts was established on 21 March 1996 and operates in Šiauliai and Telšiai counties.

Šiauliai Chamber of Commerce, Industry and Crafts is a voluntary alliance of legal and natural persons involved in economic activities regulated by the Law of the Republic of Lithuania. It is a non-for-profit organization implementing the principles of business governance in the region.

6) Vilnius Chamber of Commerce, Industry and Crafts

Ukmergė branch of the Bank is member of Vilnius Chamber of Commerce, Industry and Crafts.

Address: Algirdo g.31, LTL- 03219 Vilnius

Tel.: +370 5 2135550

Fax: +370 5 2135542

E-mail: vilnius@chambers.lt

www.cci.lt

Vilnius Chamber of Commerce, Industry and Crafts was registered on 25 April 1996 and operates in Vilnius and Alytus counties.

To implement its goals and functions the Chamber promotes manufacturing, commerce and services in the region, disseminates information, provides business consultations, intermediation and management services.

7) Knowledge Economy Forum

The Bank is member of the Association Knowledge Economy Forum.

Address: J.Galvydžio g. 5/96, LTL-08236 Vilnius

Tel.: +370 5 2745420; fax: +370 5 2745422

E-mail: info@zef.lt

The Association Knowledge Economy Forum was established in 2000. At present the Association unites successively operating Lithuanian companies, their managers and researchers working in the area of biotechnologies, pharmacy, information technologies, telecommunications and lasers as well as politicians. The mission of the Forum is to promote knowledge economy based on the development and implementation of technologies and innovations open to research and development. Members of the association take active part in the promotion of cluster economy policy, development of draft laws, improvement of education, science and research system so that it could answer the challenges of knowledge economy; they also arrange conferences, seminars and workshops.

8) Lithuanian Financial Brokers Association

The Bank is member of Lithuanian Financial Brokers Association.

Address: Konstitucijos pr. 23, Vilnius;

Tel./fax: +370 5 2721513;

E-mail: nfma@nse.lt;

www.lfma.lt

The Association takes active part in improving the legal environment of the securities market, trade, accounting and settlement systems, cooperates with the Lithuanian Securities Commission, national Stock Exchange and Lithuanian central securities depository as well as governmental institutions.

9) Vilnius Stock Exchange

The Bank is member of Vilnius Stock Exchange.

Address: Konstitucijos pr. 7, Vilnius LTL-08501, Lithuania

Tel.: +370 5 2723871

Fax: +370 5 2724894

E-mail: office@nse.lt

www.nse.lt

Only members are entitled to trade on the stock exchange. Upon the stock exchange Board's decision financial brokerage companies or commercial banks holding licences without restrictions to provide investment services are enrolled into the stock exchange member list.

10) Internal Auditors' Association

The Bank is member of Internal Auditors' Association.

The Association of Internal Auditors was established in Lithuania on 31 July 1997. In July 2000 Internal Auditors' Association joined the US Institute of Internal Auditors under the rights of Lithuanian Section. At present the Association has 152 members.

The main objective of internal auditors is to provide methodological and practical support to association members, represent Lithuanian internal auditors in national and international auditors' organizations.

Address: p/d 1151, LTL- 01103 Vilnius

Tel.: (+370) 684 64847

E-mail: sjurgaityte@yahoo.com

www.vaa.lt

11) Lithuanian Association of Property Valuers

The Bank is member of Lithuanian Property Valuers Association.

Address: K. Sirvydo g. 6, LTL-01101 Vilnius

Tel./fax: +370 5 2618951

E-mail: ltva.lt@post.omnitel.net

Lithuanian Property valuers' Association was established in March 1994.

The Association is one of the key institutions having taken part in the preparation and implementation of property valuers' qualification confirming system.

12) Brussels International Banking Club

Ūkio bankas has been member of Brussels International Banking Club since 2003.

Address: 11, Avenue du Vieux Cornet, 1180 Brussels, Belgium

Tel.: +322 374 3653

Fax: +322 374 3282

E-mail: info@bibclub.org

www.bibclub.org

The Brussels International Banking Club (BIBC) was founded in November 1996 in Brussels, when the Partnership and Co-operation Agreement between the European Union and Russia, as well as with other CIS countries, entered into force. The Club is a non-profit international association, and its Status has been approved by the Belgian Royal Decree of July 6, 1997.

One of the main objectives of the Club is to promote co-operation between EU and CIS banks, investment companies and financial institutions.

13) BaLTLijos šalių ir Kazachstano the Association „Kazbalt“

The Bank yra BaLTLijos šalių ir Kazachstano asociacijos „Kazbalt“ Lietuvoje:

Address: Upės g. 5, Vilnius

Tel.: +370 5 2636483

Fax: +370 5 2636384

www.kazbalt.lt

The commercial information and industrial Association Kazbalt was established in February 2000 under the initiative of business communities and with the support of the Embassy of Republic of Kazakhstan in the Baltic States. The Association's main objectives are focused on the development of cooperation between firms, organizations and businessmen of the Baltic States and Kazakhstan, participation in international

activity for non-governmental and public organizations and coordination of their relations with state institutions; participation in national and international specialist training programs, delivering information on services and commercial activities, dissemination of economic and scientific achievements.

Basing on the analysis of all sectors of the market the Association helps its members to perform trade transactions, arrange financial matters and solve problems with regards to payment, guarantees and letters of credit.

14) SWIFT Association

The Bank is member of the SWIFT Association.

www.swift.com

With the aim to automate data transmission 239 banks from 15 countries of the world established a global organization of interbank financial telecommunication (Societe for Worldwide Interbank Financial Telecommunication) in 1973. A computerized data transmission service developed by SWIFT ensures a more reliable and standardized messaging process. The data transmission speed of the SWIFT system ensures a timely processing of millions of international transfers. Unified messages are easily processed by computer systems of international clearing banks and data are immediately transferred according the payer's bank instructions. At present SWIFT are used by 7500 organizations from 200 countries.

15) MasterCard International Incorporated

From 2000 Ūkio bankas is a full member of MasterCard International Incorporated.

www.mastercard.com

Ūkio bankas is entitled to issue international MasterCard® credit cards, MasterCard® debit cards, Maestro® cards, Cirrus® cash withdrawal from ATM cards and to service these cards in the Bank's POS terminals and ATMs.

16) American Express

The Bank is official authorized distributor of American Express payment cards and travellers cheques.

<http://www.americanexpress.com>

At present the Bank distributes American Express travellers' cheques in USD, GBP, EUR, AUD, CAD and American Express payment cards.

17) Thomas Cook

The Bank is official agent of Thomas Cook travellers' cheques.

<http://www.thomascook.com>

At present Ūkio bankas distributes Thomas Cook travellers' cheques in USD.

18) CONTACT

The Bank is member of the international cash transfer network CONTACT.

www.contact-sys.com

CONTACT correspondent network unites more than 140 financial institutions. The branch network of these institutions enables to perform settlement in cash in 71 countries.

19) Reuters

The Reuters Dealing System has been implemented in the Bank. It is the most widely used platform for interbank foreign exchange and money market deals uniting almost 19000 users from 110 countries of the world.

www.reuters.com

20) Travelex Money Transfer system

The Bank is member of Travelex Money Transfer system.

www.travelex.com

The Company Travelex Money Transfer provides international cash transfer services. The extensive network of the company's partners enables to transfer cash all over the world.

21) Payment system LITAS

The Bank is member of the payment system LITAS.

The payment system LITAS started its operation on 19 January 2004. At the end of 2005 LITAS participants were the Bank of Lithuania, 9 commercial banks, 2 foreign banks branches, 10 financial brokerage firms, the Central Securities Depository of Lithuania (CSD) and the Central Credit Union of Lithuania (CCU). LITAS is designed to process payment instructions in real time and at designated time. The system processes credit and debit transfers. The Bank of Lithuania is the owner and the operator of the system. Settlements are carried out in the national currency litas.

LITAS provides the cash leg of securities transactions in real and at designated time following the DvP (*delivery versus payment*) principle. It also establishes a possibility for other payment systems to perform settlements through the accounts of their participants with the Bank of Lithuania.

25. Brief description of the Issuer's history

On the eve of the restoration of Lithuanian independence – in June 1989 - representatives of seventeen largest companies of Kaunas established a commercial bank and named it Ūkio bankas. The license issued to Ūkio bankas by the Central Bank of Lithuania carries the number 'one'. This witnesses it being the oldest private bank in Lithuania. Ever since its establishment, Ūkio bankas has been seeking to reinforce its position as a reliable bank open to innovations and providing qualified classic and modern services to its clients. The Bank aims to be their financial consultant and advisor and by all its activity to add to the implementation of the principles of modern Western banking based on fair competition, transparent activity, qualified services and pleasant customer service in Lithuania's market.

AB Ūkio bankas is a universal bank and provides all retail, commercial and investment banking services, except for the trade in precious metals. The aim of versatility is in harmony with exceptional overall services rendered to loyal "club" customers. The Bank flexibly adapts to the market changes and customer needs: develops new products, modernizes services, expands the range of internet services, upgrades information technologies used for rendering banking services and management

Currently AB Ūkio bankas has an extensive service network with 12 branches and 29 client service units in Lithuania's biggest towns. In November 2004 the Bank opened a representative office in Ukraine's capital Kiev. On 3 February 2005 Central Bank of the Russian Federation issued a license to AB Ūkio bankas to set up a representative office in Moscow and on 10 March 2005 it was registered in the State Register of Russian Federation.

In 2000 a Balkan Investment Bank AD was established in Banja Luka in Bosnian Serb Republic. The bank was set up by AB Ūkio bankas and *UAB Ūkio bankas investicinė grupė*, companies registered in Lithuania. On 28-02-2006 AB Ūkio bankas owned 9.98 percent of shares after the investment of LTL 3357.03 thousand.

AB Ūkio bankas and *UAB Ūkio bankas investicinė grupė* have also established a life insurance company Bonum Publicum. At present the Bank owns 19.99 percent of the company's capital amounting to LTL 1927.60 thousand.

In 2001 Ūkio bankas offered a new service to its clients, a virtual Eurocard/MasterCard payment card.

In 2002 AB Ūkio bankas signed a long-term cooperation agreement with the German bank Dresdner Bank AG (Frankfurt am Main) with respect to commerce and financing of investment projects.

In 2003 a subsidiary *Optimalus turto valdymas* was established with the aim to take care of the immovable property owned by the Bank and provide immovable property management services. This company ceased to be a subsidiary from 23-03-2005.

In 2004 Ūkio bankas head office was moved to a new location, the former building of the Bank of Lithuania at 25 Maironio Street in Kaunas.

At present the Bank's authorized capital is LTL 126,708,000 or 126,708,000 ordinary registered shares of the nominal value of LTL 1. The new edition of the Bank's articles of association with respect to the change of the nominal value of shares was registered in the State Enterprise Centre of Registers on 6 February 2006.

Since the day of establishing the Issuer's authorized capital has changed several times. History of the change of the authorized capital:

Registration date	Authorized capital		Sources of increase
	Number of shares	Total nominal value, LTL	
18.11.1993	532,517	5,325,170.00	Additional contributions
23.06.1994	1,000,000	10,000,000.00	Additional contributions
23.11.1995	2,000,000	20,000,000.00	Additional contributions
01.08.1996	2,000,000	24,000,000.00	Revaluation reserve
19.12.1996	3,500,000	42,000,000.00	Additional contributions
18.12.1997	5,000,000	60,000,000.00	Additional contributions
29.06.2001	6,058,999	72,707,988.00	Additional contributions
01.08.2002	7,558,999	90,707,988.00	Additional contributions
24.10.2003	8,892,333	106,707,996.00	Additional contributions
22.11.2005	10,559,000	126,008,000.00	Additional contributions
06.02.2006	126,708,000	126,708,000.00	Change of nominal value

26. Characteristics of services

Income

Note: here and further in this documents data of the year 2004 have been restated to be in harmony with the accounting policy employed in the year 2005. Data of the year 2003 have not been restated to be in harmony with the accounting policy employed in the year 2005. Changes of the accounting policy are explained in the explanatory note to financial reports of the year 2005.

The result of the Bank's operation in 2005 calculated pursuant to International Financial Accounting Standards was LTL 19.7 million in net profit, i.e. 2.6 times more than expected (LTL 7.6 million) and 2.6 more than the net profit earned in 2004 (LTL 7.6 million actually earned).

		LTL thousand		
	Item	2005	2004	2003
1	Net income	88,110	45,945	29,250
2	Operation, other, depreciation and amortization expense	52,519	35,537	29,825
3	Provision expense	13,282	2,298	(5,499)
4	Corporate income tax	2,647	497	0
5	Net profit	19,662	7,613	4,924

		LTL thousand					
	Item	2005	Proportion	2004	Proportion	2003	Proportion
1	Net interest income	25,684	29%	10,543	23%	3,508	12%
2	Net fee and commission income	39,422	45%	18,992	41%	16,067	55%
3	Net income from dealing with securities	7,813	9%	6,141	13%	32	0%
4	Net income from foreign exchange, derivatives and other financial instruments	9,993	11%	6,941	15%	7,149	24%
5	Other income	5,198	6%	3,328	7%	2,494	9%
6	Total (1+2+3+4+5)	88,110	100%	45,945	100%	29,250	100%

In 2005 the Bank's net income was LTL 88.1 million (92% more than in 2004). Fee and commission income represented the biggest share of the income earned. Net interest income accounted for 29%, net fee and commission income accounted for 45%, net income from dealing with securities, foreign exchange, derivatives and other financial instruments accounted for 20%, and other income accounted for 6% of the Bank's net income.

		LTL thousand		
	Item	2005	2004	2003
1.	Interest income	59,298	27,948	15,725
1.1.	For funds with central banks	198	0	0
1.2.	For loans and advances to credit and financial institutions and funds with credit institutions	29,690	11,564	5,000
1.3.	For other loans	26,938	14,975	9,222
1.4.	For acquired debt securities	2,460	1,140	1,503
1.5.	For discounted bills	12	269	0
2.	Interest expense	33,614	17,405	12,217
2.1.	For funds of the central bank	76	167	167
2.2.	For liabilities to credit and financial institutions and funds of credit institutions	10,276	881	391
2.3.	For subordinated loans	263	49	0
2.4.	For deposit and other amounts payable	22,958	16,225	11,365
2.4.	For issued debt securities	41	83	294
3.	Net interest income (1-2)	25,684	10,543	3,508

The increase of the net interest income from LTL 15.1 million to LTL 25 million resulted from the significant growth of the interest earning assets in 2005. Net fee and commission income in 2005 increased by LTL

20.4 million and amounted to LTL 39.4 million. Income from transactions with securities, foreign exchange, derivative and other financial instruments increased by LTL 4.7 million and amounted to LTL 17.8 million. Other income of the Bank increased by LTL 1.9 million and amounted to LTL 5.2 million.

Loans

LTL thousand

	Item	31-12-2005	Proportion	31-12-2004	Proportion	31-12-2003	Proportion
1.	Loans to clients and financial institutions	937,902		587,735		266,783	
1.1.	Loans to financial institutions	434,476	46%	321,955	55%	91,910	34%
1.1.1.	Short-term	105,118	11%	49,519	8%	15,430	6%
1.1.2.	Long-term	329,358	35%	272,436	46%	76,480	29%
1.2.	Loans to clients	503,426	54%	265,780	45%	174,873	66%
1.2.1.	Short-term	76,033	8%	85,245	15%	73,296	27%
1.2.2.	Long-term	313,861	33%	138,815	24%	84,981	32%
1.2.3.	Reverse repurchase agreements	20,131	2%	8,630	1%	0	0%
1.2.4.	Buying up of convertible debt obligations	93,401	10%	33,090	6%	16,596	6%

Note: Date of the year 2005 and 2004 are presented in net value. Data of the year 2004 are restated to be in harmony with the accounting policy employed in 2005. Data for the year 2003 are presented in the net value without restatement to be in harmony with the accounting policy employed in 2005, however reverse repurchase agreements and buying up of debt obligations have been added to the loan portfolio as of the end of the year 2003.

Deposits

LTL thousand

	Item	31-12-2005	Proportion	31-12-2004	Proportion	31-12-2003	Proportion
1.	Deposits and LCs:	1,469,911		857,113		522,510	
1.a.	Of legal persons	726,490	49%	349,212	41%	164,432	31%
1.b.	Of natural persons	743,001	51%	507,901	59%	358,078	69%
1.1.	Demand deposits:	536,196	36%	315,494	37%	157,603	30%
1.1.1.	Of legal persons	454,07	31%	264,34	31%	123,30	24%
1.1.2.	Of natural persons	82,89	6%	51,60	6%	34,73	7%
1.2.	Time deposits:	933,95	64%	541,19	63%	364,07	70%
1.2.1.	Of legal persons	272,83	19%	85,78	10%	41,02	8%
1.2.2.	Of natural persons	660,12	45%	456,41	53%	32305	62%

71% growth of deposits and LCs up to LTL 1.47 billion in 2005 resulted from the increasing confidence of customers in the Bank and properly selected deposit attracting strategy. Non-time deposits grew by 70% up to 536 million LTL, time deposits grew by 72% up to 933 million LTL.

A double increase in deposits of economic operators' amounting to 726 million LTL by the end of the year proves that the clients have appreciated the quality of the Bank's financial services and attractive terms and conditions. The proportion of economic operators' deposits in the overall deposit portfolio increased from 41% at the beginning of 2005 up to 49% at the end of the year. Natural persons' deposits grew by 235 million LTL or 46% and at the end of 2005 amounted to 743 million LTL.

Core indicators describing the Bank's operations:

	Ratio	2005	2004	2003
1.	Net profitability (ROE)	15.5%	6.95%	5.00%
2.	Return on Asset (ROA)	1.7%	0.62%	0.59%
3.	Debt ratio	0.3	0.93	0.89
4.	Gearing ratio	13.2	12.66	7.77
5.	Gross liquidity ratio	62.6%	39.92%	54.82%
6.	Turnover of assets	4.78%	3.74%	3.53%
7.	Book value of share*	14.15	12.38	12.25
8.	Net earnings per share	2.17	0.86	0.63

*Note: calculated at the nominal value of share LTL 12

In 2005 the Bank intensively broadened the customer service network opening 13 new client service units and extending the network up to 41 territorial units, and a representative office in Moscow (Russia). In 2005 the Bank sold a subsidiary UAB *Optimalus turto valdymas*. After the acquisition of 75% ownership

interest by the Bank's subsidiary in 2005 the Bank's Group now has ownership in the Russian company *OAO Russkiy Karavay* which operates a building under construction in Moscow.

With the aim to extend the range of services Ūkio bankas arrived at the decision to set up a subsidiary *Ūkio bankas investicijų valdymas* which will be involved in investment fund management. The company will start operations after it receives the license for investment management from the Securities Commission.

Service fees and their variation

There were no significant changes in the Bank's service fees during the financial year. The Bank adjusted the fees taking into consideration market competition. Fees for core services are similar in all banks. AB Ūkio bankas, as all other Lithuania banks, employs separate pricing systems for private and business customers and also has special pricelists for key customers.

27. Principal markets

Principal markets for realization of AB Ūkio bankas services and financial products:

1. A well developed network of 12 branches and 29 client service units in the biggest Lithuanian towns and county centres.

2. Eta bankas

The main clients of the Bank are Lithuanian companies involved in different types of business and natural persons. The current business clients are mainly light industry, financial intermediation and trading companies.

Main customer groups by the Bank's products and services:

Bank accounts. On 31-12-2005 non-time deposits by the account balances made up 36 percent of all deposits with Ūkio bankas (32% residents, 68% non-residents):

Private companies – 81%

Natural persons – 15%

Other institutions and organizations – 3%.

In 2005 the number of legal persons holding accounts with the Bank increased by 24%.

Time deposits. On 31-12-2005 time deposits by the account balances made up 64% of all deposits with the Bank (80% residents, 20% non-residents):

Private companies – 28%

Natural persons – 71%

Other institutions and organizations – 1%.

In 2005 the number of Ūkio bankas clients natural persons holding time deposits increased by 24%. The number of legal persons holding time deposits increased by 47%.

Loans. Loans granted as of 31-12-2005:

To finance institutions – 46%

To private companies – 49%

To natural persons – 5%.

79% loans were granted to residents, 21% - to non residents.

Payment cards. Clients holding Ūkio bankas cards as of 31-12-2005:

93.8% - Natural persons;

6.2% - Legal persons.

58.8% of payment cards issued by Ūkio bankas were Maestro cards, 41.2% - MasterCard.

28. Procurement

Long-term contracts with the suppliers of office supplies and consumables, energy resources and utilities have been concluded:

No.	Company	Service
1	AB Kauno elektros tinklai	electricity supply
2	AB Kauno energija	heat supply
3	UAB Kauno vandenys	water supply
4	AB Lietuvos telekomas	fixed-line telephone services
5	UAB Omnitel	mobile telephones, communication services
6	UAB Bitė	mobile telephones, communication services
7	AB Kauno švara	public utilities
8	UAB Mikrovisata	cable TV services
9	UAB Kauno Prochemas	cleaning of the Bank's premises
10	UAB Alnos biuro sistemos	delivery of office supplies and consumables

Suppliers of the Bank's energy resources and utility services are residents of the Republic of Lithuania.

Main suppliers of raw materials and services:

No.	Company	Service
1	BĮ UAB Interatlas	office supplies, repair of office equipment, money screening equipment
2	UAB Medelektron	maintenance of copy-machines
3	UAB Belam telekomunikacijos	telecommunication services
4	UAB Hansab	supply and maintenance of money screening equipment
5	UAB Mikrovisata	repair of mobile phones, cable TV services
6	UAB Alnos biuro sistemas	office supplies
7	UAB Lola	intermediation for obtaining visas
8	UAB Vakoil	fuel supply
9	UAB Senukų prekybos centras	building, electric and other different materials and products
10	UAB Rero dizaino studija	manufacturing of seals
11	UAB Bankteka	lead seals and sealers
12	UAB Aurika	household and electrical equipment
13	UAB Marijampolės mera	laminating equipment and services
14	R. Kivaro spaustuvė Manteiga	printing work
15	UAB Rodiklis	advertising services and printing work
16	UAB Spaineta	repair of mobile phones
17	UAB Elsis	consumables for printers
18	UAB Sonex kompiuteriai	computers and consumables
19	UAB Isveta	manufacturing of blinds
20	UAB Žalasis namas	repair of fixed-line phones
21	UAB Telepaslauga	air conditioners, maintenance and repair
22	UAB Technolitas	metal cases
23	UAB Fibiura	office furniture
24	UAB Bankservis	money screening and counting equipment
25	UAB Gurda	office furniture
26	UAB VP Market	soft drinks, coffee, tea

These are the Bank's main service suppliers. The Bank does not depend on the sole supplier. Long term agreement has been drawn with *UAB Alnos biuro sistemas* for the centralized supply of office consumables, computers and printers to the head office and branch offices. Dealings with some firms are occasional, with others - subject to the needs.

Marketing services are procured from five companies:

No.	Company	Service
1	UAB Alora	PR consultations
2	UAB Observer Lithuania	media monitoring
3	UAB TNS Gallup	opinion polls and surveys
4	UAB VP reklama	advertising and media planning services
5	UAB Rodiklis	production of advertising material

Translation services are rendered by UAB Verslo strategija under long-term agreement. Advertising and information material printing services are also ordered from UAB Arx Baltica, UAB Idlena under single service agreements or paid against invoices.

Ūkio bankas public and local website servers are provided by *V. Repečka Firm Informacijos tinklas*. The same firm performs substantial changes of the Bank's public website.

In 2005 in the field of public relations Ūkio bankas cooperated with the Free Market Institute, BNS News Agency and Lithuanian News Agency Elta.

29. Real estate and other fixed assets

29.1. The list of AB Ūkio bankas fixed immovable property as of 31-12- 2005:

No.	Object Type	Address	Area, sq. m.	Size of land lot and legal basis for use	Age and condition of the buildings	Book value, LTL thousand
1.	Building	Vilniaus 130, Šiauliai	514	309 sq.m rented	1972, fair	2929.672
2.	Building	Šv.Jokūbo 3, Druskininkai	192	561 sq.m rented	1994, fair	501.044
3.	Building	Basanavičiaus 47c, Kėdainiai	880	2123 sq.m rented	1994, fair	2914.762
4.	Building	Ringuvos 51a, Kaunas	180	676 sq.m rented	1989, fair	134.933
5.	Buildings	J.Gruodžio g. 9, Kaunas	2624	2287 sq.m rented	1982, fair	8801.187
6.	Premises	K.Donelaičio 60, Kaunas	274	rented	1965, fair	1013.912
7.	Premises	K.Donelaičio 60, Kaunas	218	rented	1965, fair	708.141
8.	Premises	K.Donelaičio 60, Kaunas	84	rented	1965, fair	960.265

9.	Apartment	Gedimino 103-13, Kaišiadorys	64	n/a	1992, fair	36.000
10.	Premises	Laisvės g. 216-1 Mažeikiai	2070	n/a	1979, fair	50.414
11.	Other property					27.299
		TOTAL:				18077.629

29.2. The fixed immovable property consists of:

No.	Fixed immovable property	Book value, LTL thousand.
1	Bank's buildings	6481
2	Investment property	11484
3	Foreclosed property	86
4	Other immovable property	27
5	Construction in progress	0
	Total:	18078

29.3. AB Ūkio bankas owns the following long-term tangible and intangible property (data as of 31-12-2005):

No.	Type of property	Purpose	Book value, LTL thousand
1.	Intangible property	Used for the bank's needs	1306.419
2.	Administration premises	Used for earning rental income	11483.505
3.	Production and other non-residential buildings	Used for the bank's needs	6480.411
4.	Other immovable property	Used for the bank's needs	27.299
5.	Capital goods	Used for the bank's needs	4070.636
6.	Computer equipment	Used for the bank's needs	1671.355
7.	Security equipment	Used for the bank's needs	1249.186
8.	Vehicles	Used for the bank's needs	2389.058
9.	Foreclosed immovable property	Held for selling	86.414
	Total:		28764.280

The data are presented at net value i.e. less amortization, depreciation and special provisions.

30. Risk factors related to the Issuer's activities

30.1. Economic

AB Ūkio bankas successively competes with other commercial banks and is gaining customer appreciation for the flexibility of services, work with separate clients, speed and quality of services rendered. The increasing fee and commission income prove that the Bank's clients are satisfied with the quality of the Bank's services.

In 2005 as in previous years competitive time deposit interest rates and various deposit attracting campaigns ensured the increasing deposit volumes and the growing number of depositors.

In the payment card market the Bank is in step with the competitors, offers attractive fees and continuously extends the range of services and enhances the functionality of the Bank's cards.

The first signs of insolvency have appeared in the rapidly growing mortgage loan market. Nevertheless, the structure of AB Ūkio bankas loan portfolio ensures that the bank will not experience the harmful effect of this negative tendency as the Bank is more focused on consumer loans.

AB Ūkio bankas answered the positive changes of the market in 2005 by opening 13 new client service units and by the end of the year the Bank operated 12 branches and 29 client service units. In 2005 a representative office in Russian capital city Moscow was opened.

The Bank applies a strict operations control policy and analyses the results of the branches and client service units on a regular basis with the aim to optimize the management of the service network and adapt it to the changing market needs. AB Ūkio bankas does not have equally strong positions in all regions. With the aim to strengthen the positions the Bank intends to continue extending the customer service network by setting up small but efficient client service units.

Diversification of the Bank's assets and financing sources is sufficient to avoid special risk arising from the dependence on client groups and separate business sectors.

Seasonality of the bank's services is low. The demand of banking services goes down during January and February and July-August and rises in April-May and November-December.

30.2. Political

Political and legal environment of the banks operation in Lithuania is in constant change and makes the banks take the changes into consideration and forecast the influence of the new laws on their operation, also get ready to follow the new requirements in the relationship between the bank and the customer.

Political and legal environment is positive for the Bank's operation as the new editions of the Republic of Lithuania Law on Companies and the Law on Banks and Finance Institutions provide for the possibilities to develop the Bank's operations in European Union countries and apply the positive experience of European banks more extensively; more stringent requirements for the supervision of credit institutions have increased customers confidence in the banks. These changes of the legal environment and expected future amendments of the laws related to the change of Lithuanian monetary unit lead to the forecast that competition in the banking sector will increase bringing about lower fees, higher quality products, and development of electronic banking along with the extension of customer service network and will enhance the legal security of the Bank's operation. These factors will lead to the mechanisms that will be developed and consolidated in the Bank's local legal acts and that will prevent from potential loss resulting from the change of Lithuanian monetary unit, market fluctuations and changes and will provide for the possibilities to apply legal measures that will ensure the Bank's economic growth.

The Bank of Lithuania has prepared the draft law on the adoption of the euro. This law covers a wide range of topics aimed at ensuring the smooth introduction of euro in Lithuania. However the exceptional competence in the monetary area lies with the Community and national legal acts in the monetary area may only supplement the Community Law if the Community Law provides for that. As long as the Council does not pass the resolution allowing for the promulgation of Lithuanian national legal acts regarding the adoption of the euro, the passing of the Republic of Lithuania Law on the Adoption of the Euro would not be feasible.

After the euro is adopted all Lithuanian banks will have additional expenses related to the exchange of the litas into the euro.

Anyway, the changes of political and legal environment will be the same to all banks and will not reveal any strategic strengths or weaknesses.

30.3. Requirements and restrictions to the Issuer's activities brought forth by the State

The licence issued by the Bank of Lithuania entitles AB Ūkio bankas to perform bank transactions specified in the Republic of Lithuania Law on Banks and the Bank's Statute except for the trading in precious metals. The Republic of Lithuania Law on Banks provides for the following regulations limiting the risk of the Bank's activities:

- 1) capital adequacy;
- 2) liquidity;
- 3) maximal exposure in foreign currency and precious metals;
- 4) maximal loan per borrower.
- 5) big loans;
- 6) other regulations laid down in the legal acts of the Bank of Lithuania which are in harmony with the recommendations of the Basel Committee on Banking Supervision and EU directives .

There are no other material and exceptional requirements and restrictions applicable to AB Ūkio bankas.

The Bank complies with these requirements.

30.4. Social

In the 4th quarter of the year 2005 the average monthly salary (before taxes) of a Lithuanian employee working in the private sector was LTL 1398. The Bank officer's average monthly salary as of 01-01-2006 was LTL 2740, i.e. 96 percent higher.

30.5. Technical-technological:

Risk factors are minimal. The Bank's information-technical frame and software is being modernized and developed.

30.6. Ecological

No fines for environment pollution have been imposed on AB Ūkio bankas.

30.7. Status of the Bank's loans

Loans represent the basic income earning activity of the Bank. The goal of investing funds into different credit transactions is to earn income and satisfy the client's needs for credits. The Bank must solve the problem of fund distribution inside the loan portfolio: among the loan types, crediting of trade and manufacturing organizations, real estate etc. Comparison of loan profitability and demand for different types of loans is the base of such distribution.

With the growing demand for long-term loans in the market the Bank increased the volumes of long-term loans by financing investment projects of companies. At the end of 2005 the accounted value of loans with reduced loan value due to the loss events amounted to LTL 49.6 million (5.3% of the loan portfolio value). The accounted value with 60 days overdue periodic payments amounted to LTL 1.3 million (0.1% of the loan portfolio value).

During 2005 with 60% growth of the Bank's loan portfolio net value up to LTL 938 million special provisions over the year increased by LTL 6.1 million from LTL 4.7 million (0.8 % of the loan portfolio value) up to LTL 10.7 million (1.1% of the loan portfolio value).

31. Termination or reduction of production which had or has a material impact on the Issuer's operation result over the last 2 years

AB Ūkio bankas applies a strict operations control policy and analyses the results of the branches and client service units on a regular basis with the aim to optimize the management of the service network and adapt it to the changing market needs. Over the last 2 years there was not termination or reduction of production which had or has a material impact on the Issuer's operation result.

32. Patents, licenses, contracts

Pursuant to the License No. 1 issued by the Bank of Lithuania on 19 November 1990 AB Ūkio bankas was authorized the right to render licensed financial services, except for the trade in precious metals, as provided for in Article 2(6) of the Law on Banks of the Republic of Lithuania.

The Bank has concluded the following contracts and large transactions:

- 1) Contract with Bayerische Hypo- und Vereinsbank AG, Munich, Germany, 1999. Purpose: to finance the acquisition of capital goods. Financing term: 3-5 years (long-term financing). Limit: EUR 3,800,000.00.
- 2) Contract with DZ Bank AG, Frankfurt upon Main, Germany, 2000. Purpose: to finance the acquisition of capital goods. Financing term: 3-5 years (long-term financing). Limit: EUR 10,000,000.00.
- 3) Contract with Dresdner Bank AG, Frankfurt upon Main, Germany, 2002. Purpose: to finance the acquisition of capital and long-term goods. Financing term: 3-5 years (long-term financing). Unlimited.
- 4) During the year 2004 the following contracts were concluded regarding the extension of subordinated loans to AB Ūkio bankas:

Contract date	Amount	Loan extension date	Loan repayment date
Samsung U.K. Limited			
30-05-2004	USD 1,500,000.00	01-07-2004	01-07-2009
30-05-2004	USD 1,500,000.00	29-12-2004	07-01-2010

- 5) On 21 11 2005 a syndicated loan contract was signed for EUR 12 million. Participants: HSH Nordbank AG, Landsbanki Luxembourg S.A., Hypo Alpe-Adria Bank International AG, Dresdner Bank AG, Oberbank AG, Landesbank Saar, Kopavogur Savings Bank, Icebank hf. Term: 1 year (with the right of extension for 1 more year).

33. Litigation and arbitration

From 1 January 2005 until 31 December 2005 AB Ūkio bankas was not involved in any litigation and arbitration that could have an effect on the Issuer's financial status.

34. Personnel

The average number of regular staff employees of the Bank respectively by the year was: 323 in 2003, 355 in 2004, and 397 in 2005.

The breakdown of employee groups and the average group salary as of 31-12-2005:

	Number of employees			Of these with higher education			Average monthly salary (before tax (brutto), LTL)		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Managing staff	80	78	76	78	73	72	5465	3870	3894
Specialists	291	238	204	212	143	113	1992	1579	1629
Other employees	26	39	43	3	7	4	1667	1234	1172
Total:	397	355	323	293	223	187	2740	2044	2101

35. Investment policy

35.1. Companies with the Bank's stake exceeding 30 % of the share capital (data as of 31-12-2005):

Company name	UAB Ūkio bankas lizingas	UAB Turto valdymo strategija*	UAB Turto valdymo sistemos	UAB Turto valdymo sprendimai	OAo Russskiy Karavay
Head office address	K.Donelaičio g. 60, Kaunas	J.Gruodžio g. 9, Kaunas	J.Gruodžio g. 9, Kaunas	J.Gruodžio g. 9, Kaunas	Stretenka g. 18, Moscow, Russian Federation

Type of activity	Finance lease	Financial intermediation, property management	Financial intermediation, property management	Financial intermediation, property management	Financial intermediation, property management
Amount of the share capital	1,000,000.00 LTL	1,000,000.00 LTL	1,000,000.00 LTL	1,000,000.00 LTL	RUB 2,320,000.00
Unpaid share of the bank	0	0	0	0	0
Net profit (loss) of the reporting year	6.40 LTL thousand	-32 LTL thousand	34 LTL thousand	30 LTL thousand	-2.453 LTL thousand
Total liabilities to asset ratio	0.945	0.990	0.989	0.987	0.680
Short term liabilities to current asset ratio	0.414	1.561	0.989	0.985	3.189

* excluding the result of Ruskiy Karavay

On 29 April 2005 *UAB Turto valdymo strategija* acquired 75 percent of *OAo Ruskiy Karavay* shares. The company's authorized capital is approximately LTL 231,788. The company is registered at the address Stretenka str. 18, Moscow, Russian Federation.

35.2. Shares owned by the bank as of 31-12-2005:

Company name	UAB Ūkio bankas lizingas	UAB Turto valdymo strategija	UAB Turto valdymo sistemos	UAB Turto valdymo sprendimai	OAo Ruskiy Karavay
Types of shares owned by the Bank	Ordinary registered shares	Ordinary registered shares	Ordinary registered shares		Ordinary registered shares
Number of shares owned by the Bank	100,000	10,000	10,000	10,000	435,000
Nominal value of shares owned by the Bank, LTL	1,000,000.00 LTL	1,000,000.00 LTL	1,000,000.00 LTL	1,000,000.00 LTL	RUB 1,740,000
Votes granted by share ownership, %	100 %	100 %	100 %	100 %	75 %

35.3. Dividends paid to the Bank, extended and taken loans, acquired securities during 2005:

Company name	UAB Ūkio bankas lizingas	UAB Turto valdymo strategija	UAB Turto valdymo sistemos	UAB Turto valdymo sprendimai	OAo Ruskiy Karavay
Dividends paid to the Bank	0	0	0	0	0
Balance of loans extended by the Bank on 31-12-2005	98.81	98.68	96.58	79.64	0.00
Balance of loans extended by the Bank on 31-12-2004	71.17	51.08	51.09	51.09	0.00
Balance of loans received by the Bank on 31-12-2005	0	0	0	0	0
Debt securities acquired by the Bank	0	0	0	0	0

35.4. Big investment projects in excess of 10 percent of the Bank's capital.

AB Ūkio bankas sold the previously acquired immovable property in Moscow (under construction) to the Bank's subsidiaries. The Bank's subsidiaries own investment into the immovable property in Moscow (under construction) the book value of which was LTL 323.0 million on 31-12-2005. The intended purpose of the investment is to arrange a business centre and to sell it afterwards.

36. Competitors

At the end of 2005 10 commercial banks operated in Lithuania (AB Ūkio bankas, AB SEB Vilniaus bankas, AB Šiaulių bankas, AB Bankas Snoras, UAB Medicinos bankas, AB Parex bankas, AB Bankas Hansabankas, AB Sampo bankas, AB Bankas Nord/LB Lithuania and AB SEB VB būsto kreditų ir obligacijų bankas, 2

branches of foreign banks (German Bayerische Hypo und Vereinsbank AG and Finnish Nordea Bank Finland).

The year 2005 saw the same tendencies of rapid development of the banks system: the banks' assets (unaudited data) amounted to LTL 44.8 billion showing the growth of LTL 15.6 billion or 53.7 percent compared to the year 2004. The amount of loans extended to clients was LTL 26 showing the increase of LTL 9.1 billion or 53.6 percent compared to 1 January of the previous year.

On 1 January 2006 the amount of deposits with the banks in Lithuania was LTL 25.1 billion and increased by LTL 7.2 billion last year, of these deposits of inhabitants amounted to LTL 13.8 billion showing the increase of 3.9 billion or 40.1 percent. Deposits with banks grew less compared to the loans which increased by 53.6 percent last year. This tendency is expected to remain unchanged in the nearest future, especially as all banks have considerable reserves for capital adequacy ratio.

The crediting structure reveals the biggest increase of loans to private companies (LTL 4.6 billion) and inhabitants (LTL 4.1 billion). Loans extended to natural persons soared showing the increase of 92 percent; of these the growth of mortgage loans in 2005 was 86.5 percent or LTL 2.97 billion (the growth in 2004 was LTL 1.5 billion). Although on 1 January 2006 mortgage loans accounted for 9.1 percent of the forecasted GDP in 2005 (on 1 January 2005 they made up only 5.6 percent of 2004 GDP) their relative weight in GDP remains some of the lowest among the countries of the region and still has much room for growing.

Taking into consideration the cyclicity of real estate market particular attention should be paid to the increasing of the loan portfolio as too extensive expansion of the banks in mortgage loans area may result in higher credit risk in the future.

During 2005 equity of the banks grew by 27.7 percent and on 1 January 2006 amounted to 3.2 billion. This growth is related to the profitable operation of the banks and proves the increasing reliability and stability of Lithuanian banking system.

The authorized capital of all banks over the year increased by 17.1 percent up to LTL 1.6 billion. In 2005 AB Nord/LB Lithuania, AB bankas Hansabankas, AB Sampo bankas, AB Šiaulių bankas and AB Ūkio bankas increased their share capitals. The banks consolidated their capital base also by using subordinated loans which by the permission of the Bank of Lithuania could be accounted as Tier II capital: LTL 18 million by AB Sampo bankas, LTL 8.6million by Nord/LB Lithuania and LTL 3.8 million by AB Ūkio bankas. Lithuanian banks are heavily controlled by foreign, mostly Scandinavian, investors whose stake in the share capital of Lithuanian banks is 85 percent.

No.	Name of the Bank	01 01 2005	01 01 2006	Change during 2005, million LTL
1.	AB bankas Nord/LB Lithuania	19.4	41.1	21.7
2.	AB Ūkio bankas	6.0	19.6	13.6
3.	AB SEB Vilniaus bankas	120.5	106.8	-13.7
4.	AB Šiaulių bankas	6.5	8.1	1.6
5.	AB bankas Snoras	20.5	40.4	19.9
6.	UAB Medicinos bankas	1.6	2.0	0.4
7.	AB Parex bankas	5.5	8.2	2.7
8.	AB bankas Hansabankas	111.1	107.9	-3.2
9	AB SEB VB būsto kreditų ir obligacijų bankas	0.9	4.8	3.9
10.	AB Sampo bankas	1.1	8.2	7.1
	Total banks:	293.2	347.2	54.0
11..	Bayerische Hypo und Vereinsbank AG Vilnius Branch	3.0	1.7	-1.3
12.	Nordea Bank Finland Plc Lithuanian Branch	3.1	3.9	0.8
	Total branches of foreign banks	6.1	5.5	-0.6
	Total	299.3	352.7	53.40

Source: The Bank of Lithuania

Key factors having influenced the profitability of the banks: 1) significant growth of earnings from loans, which had the major influence on the increase of net loan income by LTL 157.5 million or 25.8 percent; 2) the growth of fee and commission income by LTL 87.7 million or 26.4 percent compared to 2004; this growth was also influenced by increased fees for certain services; 3) the results of the banks' operation also increased because of higher earnings from foreign exchange deals and transactions with derivative financial instruments which grew by LTL 29.5 million (34,6 percent) and lower amortizations and depreciation costs which dropped by LTL 23.3 million (23,3 percent).

The real net interest margin of the banking system, which showed a steady drop for a few years in a row, in 2005 dropped by 0.31 percentage point and reached the lowest level of 2.52 percent.

On the other hand, a rapid growth of the loan portfolio in 2005 caused the increase of special provisions costs compared to the previous years, thus bigger special reserves had the greatest negative influence on the results of the banks operation. The growing volumes of deposits increased deposit insurance costs.

The measurement of operating profit and fixed costs gauging the efficiency of the banking system reduced (improved) by almost 6 percentage points over the year and on 1 January 2006 was 53.9 percent.

As a result of the forecasted increase of interest rates in 2006 the borrowing will slow down compared to other investment financing sources. However the analysts state that in 2006 the expected growth of loan portfolio should be about 40 percent and mortgage loans should grow about 75 percent.

The rapid growth of deposits in 2005 is hard to explain especially the fact that the growth was mostly influenced by short-term deposits of up to 1 month maturity. The rise of interest rates and stock price fluctuation should influence the rate of deposit growth in the nearest future. The forecasted growth of deposit volumes in 2006 is up to 30 percent.

Competition analysis

Asset concentration tended to decrease over the last few years. If in 2004 the market share of the three biggest Lithuanian banks (SEB Vilniaus bankas, Hansabankas and Bankas Nord/LB Lithuania) dropped by 3.5 percent, this tendency was less pronounced in 2005; the market share of these banks reduced from 67.6 percent to 67.1 percent. The biggest drop was experienced by SEB Vilniaus bankas whose market share reduced by 2.95 percentage points while AB Hansabankas increased its share by 3.42 percent.

In 2006 the same banks are expected to retain their leading positions in the market, however their market share, supposedly, will continue to reduce. Smaller banks have possibilities to look for special niches in the regions or specialize in certain types of operations.

In 2005 all Lithuanian banks and branches of foreign banks operated profitably and earned the total profit of LTL 352.7 million. Ūkio bankas earned LTL 19.6 and ranked fifth by the profitability rate and sixth by the size among Lithuanian banks.

Comparison of Lithuanian commercial banks ratios (LTL million) at the end of December 2005.

No.	Name of the Bank	Assets	Loans	Deposits and LCs	Equity
1.	AB Ūkio bankas	2178.0	503.4	1462.3	149.5
2.	AB SEB Vilniaus bankas	13312.1	8470	7961.1	1184.6
3.	AB Šiaulių bankas	1039.0	659.1	773.6	90.2
4.	AB bankas Snoras	3260.3	662.6	2406.6	241.1
5.	UAB Medicinos bankas	248.5	116.4	144.4	44.5
6.	AB bankas Nord/LB Lithuania	5126.8	3749.6	2528.9	326.4
7.	AB bankas Hansabankas	11637.5	6100.7	7392.9	891.8
8.	AB Parex bankas	484.0	281.5	287.4	41.7
9.	AB Sampo bankas	3078.1	2321.3	734.2	198.8
10.	AB SEB VB būsto kreditų ir obligacijų bankas	248.2	239.2	–	26.8
11.	Bayerische Hypo und Vereinsbank AG Vilnius Branch	1326.8	749.5	576	1.7
12.	Nordea Bank Finland Plc Lithuanian Branch	2861.2	2104.3	821.7	3.9
Iš	Total	44800.5	25957.6	25089.1	3201

Source: The Bank of Lithuania

By all criteria the same three banks have similar positions: SEB Vilniaus bankas is the leader followed by, AB Hansabankas and AB bankas Nord/LB Lithuania.

Positions of AB Ūkio bankas: seventh by assets, ninth by loans, fifth by deposits and LCs, sixth by equity.

The closest competitors by the assets: AB bankas Snoras, UAB Sampo bankas, Nordea Bank Finland Plc Lithuanian Branch.

By deposits and LCs AB Ūkio bankas is surpassed besides the leaders only by AB bankas Snoras. The remaining banks have the following positions: Nordea Bank Finland Plc Lithuanian Branch is the sixth, AB Šiaulių bankas is the seventh and AB Sampo bankas is the eighth followed by the remaining banks.

Besides the three big banks by equity Ūkio bankas is surpassed by AB bankas Snoras and AB Sampo bankas.

In December 2005 Ūkio bankas had 5.83 of the deposits market and 1.94 percent of the loan market. A year ago the same indices were respectively 4.36 percent and 1.76 percent. There was a notable increase of the deposit market share (+1.47 percent) compared to the previous year while the growth of the loan market share was very small (+0.18 percent).

The best positions are taken by AB Vilniaus bankas with 32.6 percent of the loan market (over the year this share dropped by 1.4 percent) and 31.7 percent of the deposit market (a respective drop of 3.0 percent). AB Hansabankas has the 23.5 percent of the loan market (1.25 percent increase during the year) and 29.5 percent of the deposit market (reduced by 0.74 percent). The closest Ūkio bankas competitor AB bankas Snoras increased its deposit market share by 0.9 percent while the loan market share actually remained unchanged. The deposit market share of AB Šiaulių bankas slightly dropped by 0.16 percent and the loan market share remained unchanged.

The aforementioned banks have remained the main competitors of the Bank.

Gradually increasing activities of credit unions and consequently increasing competition in certain areas (loans and deposits) should be considered, however in the overall view credit unions shall not be regarded as competitors.

37. Dividends paid

During the year 2001-2004 AB Ūkio bankas did not allocate and pay out dividends. The General AB Ūkio bankas Meeting of 24 March 2005 adopted a resolution to pay out LTL 1,067,079.96 in dividends for the year 2004. One AB Ūkio bankas ordinary registered share of the nominal value of LTL 12.00 LTL earned a dividend of LTL 0.12 (0 LTL 12 cents), i.e. 1 percent of the nominal share value.

Shares	Earned dividends	Withheld and paid taxes	Paid dividends	Balance of unpaid dividends as of 01-01-2006
Ordinary	1,067,079.96	153,032.29	867,182.63	46,865.04
Preference	-	-	-	-
Total	1,067,079.96	153,032.29	867,182.63	46,865.04

There were no shareholders who refused dividends in 2005.

IV. FINANCIAL STATUS

Financial reports presented herein have been drawn in compliance with all accounting standards and explanatory notes approved by the International Accounting Standards Board (IASB). They are defined as International Financial Reporting Standards (IFRS). These standards and explanatory notes were previously referred to as International Accounting Standards (IAS).

38. Financial reports

Note: here and further in this documents data of the year 2004 have been restated to be in harmony with the accounting policy employed in the year 2005. Data of the year 2003 have not been restated to be in harmony with the accounting policy employed in the year 2005. Changes of the accounting policy are explained in the explanatory note to financial reports of the year 2005.

38.1. AB Ūkio bankas balance sheets

(LTL thousand)

		(as restated) The Group	The Bank	(as restated) The Group	The Bank	(as restated) The Group	The Bank
	Notes	2005	2005	2004	2004	2003	2003
ASSETS							
Cash and balances with central bank	2	113,621	113,621	82,360	82,360	60,592	60,590
Loans and advances to banks and other financial institutions	3	842,956	1,198,377	720,677	993,224	352,572	429,028
Securities at fair value through profit or loss	4	159,412	159,412	79,802	79,802	33,228	33,228
Loans and advances to customers	5, 6	553,923	503,426	280,299	265,780	174,662	172,862
Finance lease receivables	7	121,426	-	111,490	-	77,415	0
Investment securities:							
<i>available-for-sale</i>	8	16,261	16,261	23,010	18,954	25,895	21,839
<i>held-to-maturity</i>	8	98,475	96,805	-	-	0	0
Investment in subsidiaries	9	-	4,000	-	4,100	0	2,822
Intangible fixed assets	10	6,044	1,306	1,808	1,764	2,362	2,304
Plant, property and equipment	11	358,559	27,371	227,608	21,230	221,065	211,232
Deferred tax asset	28	6,021	6,021	-	-	0	0
Other assets	12	82,050	57,268	30,273	36,296	37,437	21,141
Total assets		2,358,748	2,183,868	1,557,327	1,503,510	985,228	955,046
LIABILITIES AND EQUITY							
LIABILITIES							
Due to central bank		-	-	4,185	4,185	4,171	4,171
Deposits from banks and other financial institutions	13	550,712	518,609	531,318	509,964	317,706	298,463
Due to customers	14	1,469,491	1,469,491	872,430	857,113	522,510	522,510
Debt securities in issue	15	4,860	4,860	786	786	3,797	3,797
Subordinated loans	16	9,057	9,057	7,650	7,650	0	0
Deferred tax liabilities	28	35,907	336	215	215	0	0
Other liabilities	17	54,183	32,130	25,813	13,494	28,113	17,174
Total liabilities		2,124,210	2,034,483	1,442,397	1,393,407	876,297	846,115
EQUITY							
Share capital	18	126,708	126,708	106,708	106,708	106,708	106,708
Restricted (distributable) profit		2,000	2,000	2,000	2,000	2,000	2,000
Revaluation reserve – available-for-sale investment securities		1,903	1,903	1,217	1,217	0	0
Fixed assets revaluation reserve		49,875	-	-	-	0	0

Currency translation reserve		3,037	-	-	-	-591	-591
Legal reserve		339	339	-	-	0	0
Retained earnings		23,848	18,435	5,005	178	814	814
Equity attributable to equity holders of the parent		207,710	149,385	114,930	110,103	108,931	108,931
Minority interest		26,828	-	-	-	0	0
Total equity		234,538	149,385	114,930	110,103	108,931	108,931
Total liabilities and equity		2,358,748	2,183,868	1,557,327	1,503,510	985,228	955,046

38.2. AB Ūkio bankas statements of income

(LTL thousand)

	Notes	The Group 2005	The Bank 2005	(as restated) The Group 2004	(as restated) The Bank 2004	The Group 2003	The Bank 2003
Interest income	19	74,851	59,298	41,870	27,948	26,614	15,725
Interest expense	19	(35,203)	(33,614)	(18,559)	(17,405)	-12,608	-12,217
Net interest income		39,648	25,684	23,311	10,543	14,006	3,508
Fees and commission income	20	56,507	55,633	23,878	26,970	15,834	19,974
Fees and commission expense	20	(16,632)	(16,211)	(8,377)	(7,978)	-4,228	-3,907
Net fee and commission income		39,875	39,422	15,501	18,992	11,606	16,067
Gains less losses arising from dealing in foreign currencies	21	11,309	11,393	9,726	9,308	-6,337	-5,914
Gains less losses arising from dealing trading securities	21	3,589	3,589	1,245	1,245	-660	-660
Gains less losses arising from investment securities	21	236	4,224	4,896	4,896	1,108	692
Gains less losses arising from dealing in derivatives and other financial instruments	21	(1,400)	(1,400)	(3,242)	(2,367)	13,248	13,063
Impairment losses on loans and advances	22	(18,105)	(13,781)	(3,362)	(2,815)	2,059	2,498
Reversal of written off loans		499	499	517	517	3,001	3,001
Other operating income	23	11,734	5,198	6,929	3,328	3,135	2,494
OPERATING INCOME		87,385	74,828	55,521	43,647	41,166	34,749
OPERATING EXPENSES	24	(63,887)	(52,519)	(44,108)	(35,537)	-36,230	-29,825
PROFIT BEFORE INCOME TAX		23,498	22,309	11,413	8,110	4,936	4,924
Income tax	27	(3,866)	(2,647)	(695)	(497)	-12	0
PROFIT FOR THE YEAR		19,632	19,662	10,718	7,613	4,924	4,924
Attributable to:							
Equity holders of the parent		20,248	19,662	10,718	7,613	4,924	4,924
Minority interest		(616)	-	-	-	0	0
		19,632	19,662	10,718	7,613		
Basic Earnings Per Share (in LTL)	29	2.24	2.17	1.22	0.87	0.63	0.63
Diluted Earnings Per Share (in LTL)	29	2.16	2.10	1.20	0.86	-	-

38.3. Statements of AB Ükio bankas cash flows**(LTL thousand)**

	The Group	The Bank	The Group	The Bank	The Group	The Bank
	2005	2005	2004	2004	2003	2003
CASH FLOW FROM (TO) OPERATING ACTIVITIES						
Interest received	72,372	56,819	39,978	25,805	24,526	13,819
Interest paid	-34,899	-33,310	-16,231	-15,291	-11,455	-11,075
Repayment of loans previously written off	594	594	638	638	4,118	4,118
Net receipts from operations with foreign currency	6,350	6,360	4,926	5,047	19,173	18,565
Net receipts from operations with securities held for trading	10,634	10,634	6,372	6,289	1,044	1,044
Net receipts for services and commission	39,841	39,388	15,479	18,970	11,588	14,566
Payments of salaries and associated payments	-19,042	-16,846	-14,965	-13,090	-13,406	-12,040
Income taxes paid	-240	-182	-695	-497	12	0
Other payments	-30,810	-27,777	-19,463	-17,049	-16,499	-12,994
Net cash provided by operating activities before change in operating assets and liabilities	44,800	35,680	16,039	10,822	19,101	16,003
Changes in operating assets and liabilities:						
Compulsory reserves held in central bank	46,626	46,626	-12,683	-12,683	-5,050	-5,050
Loans and advances to banks and other financial institutions	-236,113	-319,682	-82,613	-93,780	-130,118	-156,409
Securities at fair value through profit or loss	-86,083	-86,083	-48,575	-48,575	-15,430	-83,398
Loans and advances to customers	-274,495	-238,517	-108,035	-95,445	-85,198	-15,430
Other assets	-66,062	-29,492	-36,574	-9,162	-33,678	-4,490
Due to central banks	-4,185	-4,185	0	0	0	0
Due from banks and other financial institutions	19,394	8,645	213,445	211,334	194,854	178,276
Due to customers	597,061	612,378	345,608	330,291	45,542	45,542
Other liabilities	21,637	2,184	-1,343	-2,468	5,072	7,228
Net cash provided by operating activities	62,580	27,554	285,269	290,334	-4,905	-17,728
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of subsidiaries	-33,945	0	0	-3,000	0	-100
Disposal of subsidiaries	4,200	4,200	0	0	0	0
Purchase of fixed assets, net of disposals	-8,464	-5,921	-3,361	-8,563	-5,553	1,910
Acquisition of investment securities available-for-sale, net of disposals	-89,743	-91,900	0	0	-4,056	0
Cash flows from other investing activity	0	0	0	2,974	0	1,483
Net cash used in investing activities	-127,952	-93,621	-3,361	-8,589	-9,609	3,293
CASH FLOW FROM (TO) FINANCING ACTIVITIES						
Net cash from financing activities	20,000	20,000	0	0	16,000	16,000
	-263	-263	-49	-49	0	0
Net (decrease)/increase in cash and cash equivalents	4,074	4,074	7,604	7,604	0	0
	-1,066	-1,066	0	0	0	0
Cash and cash equivalents at the beginning of period	22,745	22,745	7,555	7,555	16,000	16,000
Cash and cash equivalents at the end of period	-42,627	-43,322	289,463	289,300	1,486	1,565
Net cash from financing activities						
	537,648	537,483	248,185	248,183	246,699	246,618
Net (decrease)/increase in cash and cash equivalents						
	495,021	494,161	537,648	537,483	248,185	248,183

38.4 Statements of changes in AB Ūkio bankas equity

(LTL thousand)

THE BANK	Share capital	Restrcted (distributable) profit	Fixed assets revaluation reserve	Revaluation reserve for available-for-sales investment securities	Currency translation reserve	Compulsory reserve	Retained earnings	Total	
31 December 2002	90,708	2,000	0	0	-591	0	-4.110	88,007	
Share issue	16,000	0	0	0	0	0	0	16,000	
Net annual profit	0	0	0	0	0	0	4.924	4,924	
31 December 2003	106,708	2,000	0	0	-591	0	814	108,931	
Restatement of investment securities available-for-sale, net of tax	0	0	0	6,053	0	0	-6.053	0	
Restatement of investments in subsidiaries	0	0	0	0	0	0	-1.722	-1,722	
Correction of currency reserve	0	0	0	0	591	0	-591	0	
Adjusted balance at 1 January 2004	106,708	2,000	0	6,053	0	0	-7.552	107,209	
Changes in fair value of investment securities available-for-sale, net of tax	0	0	0	-4,836	0	0		-4,836	
Restatement of provisions in accordance with IAS 39	0	0	0	0	0	0	117	117	
Net income (as restated)	0	0	0	0	0	0	7.613	7,613	
31 December 2004 (as restated)	106,708	2,000	0	1,217	0	0	178	110.103	
Dividends paid	0	0	0	0	0	0	-1.066	-1,066	
Changes in fair value of investment securities available-for-sale, net of tax	0	0	0	686			0	686	
Increase in share capital	20,000	0	0	0	0	0	0	20,000	
Transfer to legal							339	-339	0
Net income	0	0	0	0	0	0	19.662	19,662	
31 December 2005	126,708	2,000	0	1,903	0	339	18.435	149,385	

THE GROUP	Share Capital	Restricted (distributable) profit	Fixed assets revaluation reserve	Revaluation reserve for available-for-sales investment securities	Currency translation reserve	Legal reserve	Retained earnings	Equity attributable to equity holders of the parent	Minority interest
31 December 2002	90,708	2,000	0	0	-591	0	-4,110	88,007	0
Issue of shares	16,000	0	0	0	0	0	0	16,000	0
Net annual profit	0	0	0	0	0	0	4,924	4,924	0
31 December 2003	106,708	2,000	0	0	-591	0	814	108,931	0
Restatement of investment securities available-for-sale, net of tax	0	0	0	6,053	0	0	-6,053	0	0
Correction of currency translation reserve	0	0	0	0	591	0	-591	0	0
Adjusted balance at 1 January 2004	106,708	2,000	0	6,053	0	0	-5,830	108,931	0
Changes in fair value of investment securities available-for-sale, net of tax	0	0	0	-4,836	0	0	-	-4,836	0
Restatement of provisions in accordance with IAS 39							117		
Net income (as restated)	0	0	0	0	0	0	10,718	10,718	0
31 December 2004 (as restated)	106,708	2,000	0	1,217	0	0	5,005	114,930	0
Dividends paid	0	0	0	0	0	0	-1,066	-1,066	0
Changes in fair value of investment securities available-for-sale, net of tax	0	0	0	686	0	0	0	686	0
Increase in share capital	20,000	-	0	0	0	0	0	20,000	0
Transfer to legal reserve	0	0	0	0	0	339	-339	0	0
Minority share in acquired subsidiary	0	0	0	0	0	0	0	0	10.161
Currency translation adjustment	0	0	0	0	3,037	0	0	3,037	908
Increase in fixed assets revaluation reserve net of tax	0	0	49,875	0	0	0	0	49,875	16.375
Net income (loss)	0	0		0			20,248	20,248	-616
December 2005	126,708	2,000	49,875	1,903	3,037	339	23,848	207,710	26.828

39. Notes to financial reports

The content of key positions, all changes and their reasons are explained in the independent auditor's report for the fiscal year 2005 enclosed with the prospectus-report.

40. Report of the Issuer's Board for the year 2005 metus

AB ŪKIO BANKAS OPERATING REPORT FOR THE YEAR 2005

The year 2005 was the most profitable to AB Ūkio bankas. With thorough expansion of clients service network the Bank has operated profitably and managed to establish a secure position of a reliable and steady partner in international financial markets. During 2005 the Bank has opened 13 new clients' service departments up to 41 territorial departments and opened a representative office in Moscow. In 2005 AB Ūkio bankas Board continued implementing the strategic plans for the further expansion of the bank and goals set forth by the shareholders.

The result of the Bank's operation in 2005 calculated in compliance with the International Financial Reporting Standards and EU approved International Financial Reporting Standards is LTL 19.622 million net profit, i.e. 2.6 times higher than estimated (LTL 7.647 million) and has exceeded the result of LTL 7.730 million of the year 2004 by 2.5 times.

In 2005 the Bank's asset grew by LTL 680.4 million or by 45 percent and on 31 December 2005 amounted to LTL 2.184 billion. This asset growth was mainly influenced by the increased volume of the loan portfolio and debt securities portfolio and bigger deposits in banks. Ūkio bankas ranked seventh among Lithuanian commercial banks according to its assets. At the end of 2005 the share of Ūkio bankas assets in Lithuanian banking market was 4.9 percent.

The portfolio of loans made to the Bank's clients and finance sector, making up 43 percent of the Bank's assets grew by 60 percent up to LTL 938 million. Deposits in banks and other credit and financial institutions grew by LTL 93 million up to LTL 764 million. Currently they represent 35 percent of the bank's assets.

The Bank's debt securities portfolio has tripled over the year and now has reached LTL 245 million, while the equity securities portfolio has reached LTL 32 million by the end of 2005 showing the increase of LTL 7 million over a year.

The major sources of asset growth in 2005 were deposits and letters of credit which have grown by LTL 612 million (71 percent) up to LTL 1.469 billion. The Bank's share capital was increased by LTL 20 million up to LTL 126.708 million showing the equity growth of 36 percent.

During 2005 the Bank has earned LTL 121.7 million of gross income, which increased the income of 2004 by 92 percent. The biggest part of income was generated from customer service fees. The net interest income was 49 percent, net fee, commission and other income made 37 percent, income from foreign exchange, and derivatives, other financial instruments and securities transactions accounted for 15 percent of the Bank's earnings. Significant growth of income earning assets in 2005 resulted in the increase of the Bank's net interest income by LTL 31.4 million up to LTL 59.3 million. Net fee, commission and other income in 2005 increased by LTL 22.3 million and amounted to LTL 44.6 million. Net income from foreign exchange, and derivatives, other financial instruments and securities transactions increased by 36 percent and amounted to LTL 17.8 million.

During 2005 the Bank's gross expense was LTL 99.4, i.e. 80 percent more than in 2004. With the increase of interest bearing liabilities the interest expense increased by 16.2 million LTL up to LTL 33.6 million, special provisions expense grew by LTL 11.1 million up to LTL 13.3 million, operation, depreciation and other costs of the Bank increased by LTL 17.0 million up to LTL 52.5 million. Increased expense mainly resulted from the expansion of the Bank's service network, growing number of clients and transactions performed. Expense for salaries, social insurance contributions and other labour payment related costs increased by LTL 3.8 million and accounted for 32 percent of all operation, depreciation and other expense.

With the growing profits the corporate income tax expense in 2005 amounted to LTL 2.6 million, i.e. LTL 2.2 million more than in 2004.

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

In 2005 the Bank sold a subsidiary UAB Optimalus turto valdymas.

At the end of the year the major investment was made into shares of the following companies:

1. *UAB Ūkio banko lizingas* with the share capital of LTL 1 million, all shares (100,000) owned by Ūkio bankas;
2. *UAB Turto valdymo strategija* with the share capital of LTL 1 million, all shares (10.000) owned by Ūkio bankas;
3. *UAB Turto valdymo sistemas* with the share capital of LTL 1 million, all shares (10.000) owned by Ūkio bankas;

4. *UAB Turto valdymo sprendimai* with the share capital of LTL 1 million, all shares (10.000) owned by Ūkio bankas;
5. *UAB Ūkio banko investicinė grupė* with the share capital of LTL 67.5 million, 9,002,220 shares (13.33 percent of the company's capital) owned by Ūkio bankas;
6. Life Insurance Company *UAB Bonum Publicum* with the share capital of LTL 8.01 million, 1,601 shares (19.99 percent of the company's capital) owned by Ūkio bankas;
7. *Balkan Investment Bank AD* with the share capital of LTL 18 million Bosnian marks (EUR 9.4 million) 179,590 shares (9.97 percent of the company's capital) owned by Ūkio bankas;
8. *UAB FMĮ Finbaltus* with the share capital of LTL 8 million, 769 shares (9.61 percent of the company's capital) owned by Ūkio bankas.

In 2005 the Bank's subsidiary *UAB Turto valdymo strategija* purchased 435000 shares (75 percent of the company's capital) of the Russian company *OAO Russskij Karavaj* with the share capital of RUB 2.3 million (LTL 0.2 million LTL.).

In 2005 AB Ūkio bankas Group operated profitably and earned LTL 19.632 million profit, i.e. LTL 8.797 million more than in 2004. In 2005 UAB Ūkio banko lizingas earned LTL 6.140 million profit, *UAB Turto valdymo strategija* incurred LTL 32 thousand loss (excluding the loss incurred by *OAO Russskij Karavaj*), *UAB Turto valdymo sistemas* earned LTL 34 thousand profit, *UAB Turto valdymo sprendimai* earned LTL 30 thousand profit, *OAO Russskij Karavaj* incurred LTL 2.453 million loss, of which LTL 1.837 million was allocated to AB Ūkio bankas Group.

Accurately chosen trends and strategy of the Bank's operation, reasonable geographical development, attractive financial products, high quality services and efficient work of the bank's employees added to these excellent performance results. The Bank has skillfully turned the favourable macroeconomic situation in the country to the maximal advantage, successfully increased the circle of loyal customers and maintained long-term business relationship all over Lithuania. The number of active business clients has increased by 27 percent. The number of loyal private clients has also increased by 27 percent

In 2006 Ūkio bankas Board will work at ensuring the efficient, rational and profitable operation and further expansion of the Bank in Lithuania and abroad. There are plans to open a representative office in Kazakhstan and start rendering services in EU countries. The Bank will continue introducing new financial services with respect to the market needs and improve the new banking products developed on the basis of new technologies.

In 2006 the Bank expects to increase the currently taken market share up to 6 percent and to increase the gross income by 15 percent. The volume of banking services sold will be increased by improving customer service culture and service quality, by applying competitive pricing policy and implementing new technologies. Optimization of all expenses will continue aiming at better efficiency, development, profitability and bigger market share.

41. Audit-related information

Basic data about the audit company that has performed the independent audit of the Issuer's financial reports (during the last three years):

Audit company's name	UAB DELOITTE LITHUANIA
Auditing period	From 01-01-2003 up to now
head office address	Jogailos g. 4 , LTL - 01116 , Vilnius
TEL./FAX:	+370 5 2553000 / +370 52 126 844
Type of company	Limited liability company
Registration place and date	Vilnius, 28-04-1995
Registration No.	UI 95-95
Company number	111525235

Basic data about the independent auditors having audited the Issuer's financial reports during the last three years:

Name and surname	Certificate No.	Audit company
Lina Drakšienė	Auditor's certificate No.000062	2002, 2003
Juozas Kabašinskas	Auditor's certificate No.000106	2004
Torben Pedersen	Partner	2004
Gavin Hill	Partner	2005
Juozas Kabašinskas	Auditor's certificate No. 000106	

Audit-related information:

Date of independent auditing	What period and what information was audited	Information on the auditor
2006-03-01	AB Ūkio bankas independent auditor's report and financial reports for the year ended on 31 December 2005.	Deloitte&Touche

Deloitte.

UAB Deloitte & Touche
Company number 111525235

INDEPENDENT AUDITOR'S REPORT

To AB Ūkio bankas shareholders:

Pursuant to the Republic of Lithuania Law on Companies Article 36 we have audited the accompanying AB Ūkio bankas (hereinafter the Bank) annual report for the year 2005. This annual report is the responsibility of the bank's Board. Our responsibility is to express an opinion on this annual report based on our audit.

In our opinion the retrospective financial information contained in AB Ūkio bankas annual report for the year 2005 coincides with the financial information contained in the Bank's financial reports for the year ended on 31 December 2005 on which we have stated our unconditional opinion on 1 March 2006 (these financial reports are not presented herein).

Gavin Hill
Partner

Auditor Juozas Kabašinskas
Auditor's Certificate No. 000106

UAB „Deloitte Lithuania“
Vilnius, Lithuania
7 March 2006

Independent auditor's report and financial reports for the year ended on 31 December 2005 are enclosed to the annual prospectus-report.

V. INFORMATION ON THE ISSUER'S MANAGING BODIES

42. Members of the managing bodies

42.1. Members of the Bank managing bodies, beginning and end of their term of office, interest in the Bank's share capital as of 31-12-2005:

Name, surname	Position	Identification number	Number of shares held	Interest in the share capital, %	Share of votes, %
SUPERVISORY COUNCIL OF THE BANK					
Varanavičius Liutauras, (elected on 24-03-2006, end of term 2010)	Chairman	-	160	0.0015	0.0015
Lowenhav Ulf, (elected on 24-03-2006, end of term 2010)	Deputy chairman	-			
Gončaruk Olga, (elected on 24-03-2006, end of term 2010)	Member	-			
Jakavičienė Gražina, (elected on 24-03-2006, end of term 2010)	Member	-	4512	0.04257	0.04257
Kurauskienė Ala, (elected on 24-03-2006, end of term 2010)	Member	-			
Soldatenko Viktor, (elected on 24-03-2006, end of term 2010)	Member	-			
Butkus Leonas Rimantas, (elected on 24-03-2006, end of term 2010)	Member	-			
THE BOARD OF THE BANK					
Karpavičienė Edita, (appointed on 24-03-2006, end of term 2010)	Chairwoman, deputy CEO	-	30	0.00028	0.00028
Ugianskis Gintaras, (appointed on 24-03-2006, end of term 2010)	Deputy Chairman, CEO	-	25	0.0002	0.0002
Balandis Rolandas, (appointed on 24-03-2006, end of term 2010)	Board member Head of Corporate Banking Division	-			
Arnas Žalys (appointed on 24-03-2006, end of term 2010)	Board member Head of Finance Division	-	25	0.0002	0.0002
Antanas Grigaliauskas (appointed on 24-03- 2006, end of term 2010)	Board member Director of UAB Ūkio banko lizingas	-			

42.2. Information about the Board Chairwoman and Director of Accounting Department – Chief Financial Officer:

Chairwoman of the Board	KARPAVIČIENĖ EDITA
Education	Higher (Master's degree)
Specialty	Business administration
Employer, position held	From 30-08-1994 AB Ūkio bankas Settlement Department, economist From 02-09-1995 AB Ūkio bankas Foreign LCs and Guarantees Department, economist From 12-05-1997 Deputy Head of AB Ūkio bankas LCs and Guarantees Department From 01-06-1997 Deputy Head of AB Ūkio bankas Documentary Settlement Department From 10-11-1997 Head of AB Ūkio bankas Documentary Settlement Department From 21-04-1998 Director of AB Ūkio bankas International Department From 26-03-1999 Member of AB Ūkio bankas Board From 30-12-2001 Chairwoman of AB Ūkio bankas Board From 06-09-2004 Chairwoman of AB Ūkio bankas Board and CEO
Chief Executive Officer	UGIANSKIS GINTARAS

Education	Higher
Specialty	Mechanical engineer
Employer, position held	From 1992 to 06-1995 Director of AB VAIVORYKŠTĖ From 06-1995 Director of UAB UGMINA From 02-1997 General Director of AB KOTTON From 12-08-1998 Expert of AB Ūkio bankas From 02-04-1999 Member of AB Ūkio bankas Board From 12-06-2000 Deputy Chairman of AB Ūkio bankas Board From 27-03-2001 Acting Chairman of Ūkio bankas Board From 0–04-2001 Deputy Chairman of AB Ūkio bankas Board From 11-10-2004 AB Ūkio bankas CEO and Deputy Chairman
Director of Accounting Department – Chief Financial Officer	PETRAITIENĖ VIDUTĖ
Education	Higher
Specialty	Accountant
Employer, position held	From 1989 Senior accountant of Kaunas commercial industrial Bank Ūkio bankas From 1990 Deputy senior accountant of Kaunas commercial industrial Bank Ūkio bankas From 1993 Deputy senior accountant of Commercial Bank Ūkio bankas, head of Voucher Accounting Operations Department From 1997 Deputy Chief Financial Officer of AB Ūkio bankas From 01-07-1999 up to now AB Ūkio bankas Director of Accounting Department – Chief Financial Officer

42.3. Information about the interest of the members of the managing bodies in other enterprises, institutions and organizations. Interest and votes held in excess of 5 percent of other companies' share capital:

Name and surname	Position	Interest in other companies (Company name, position), as of 31-12-2005	Interest in other companies (Company name, interest and votes held in ppercent), as of 31-12-2005
SUPERVISORY COUNCIL OF THE BANK :			
Varanavičius Liutauras	Supervisory Council Chairman	AB Ūkio bankas Council advisor. President of Lithuanian Football Federation. Member of UEFA Assistance Programs Committee. Member of Balkan Investment Bank AD Supervisory Council.	UAB Universal Business Investment Group Management, 473805 shares/ 2.48 % UAB Ūkio banko investicinė grupė, 260000 shares/0.38 % AB Ūkio bankas 160 shares/ 0.001 %
Lowenhav Ulf	Supervisory Council Deputy Chairman	Zip Struktura AB Director	-
Gončaruk Olga	Supervisory Council member	UAB Ūkio bankas lizingas consultant	UAB Universal Business Investment Group Management, 2842830 shares/14.89 % UAB Domus Altera, 86550 shares/9.99 % UAB Businessline, 115900 shares/9.99 % AB Pramprojektas, 221058 shares/ 7.40 % UAB Nidos pušynas, 6574 shares/0.59 % UAB Ūkio banko investicinė grupė, 75000 shares/0.11 %
Jakavičienė Gražina	Supervisory Council member	Lawyer of G.ir V.Jakavičiai Lawyer's Firm, Lithuanian Lawyers Council, lawyer,	AB Ūkio bankas, 4512 shares/0.04 % AB Ortopedijos technika, 177 shares/0.00 %
Kurauskienė Ala	Supervisory Council member	AB Pramprojektas Board member, Director of HR and General Affairs Department. UAB Nidos smiltė Board member. Chairwoman of Balkan Investment Management AD Board. Member of GD UAB Bonum publicum Board, Director advisor for business development. UAB Bankinės konsultacijos Board member.	UAB Nidos smiltė, 170579 shares/18.92 % UAB Universal Business Investment Group Management, 473805 shares/2.48 % AB Pramprojektas, 82888 shares/2.78 % UAB Nidos pušynas, 18142 shares/1.63 % AB Ūkio bankas, 5 shares/0,00 %
Soldatenko Viktor	Supervisory Council member	UAB Ūkio bankas investicinė grupė Board advisor, Member of Balkan Investment Bank AD Supervisory Council	UAB Attentus, 2400 shares/9.60 % UAB Nidos smiltė, 76354 shares/8.47 % AB Pramprojektas, 28060 shares/0.94 %
Butkus Leonas Rimantas	Supervisory Council member	Chairman of AB Pramprojektas Board, general Director. Member of Lithuanian Builders Association steering committee.	UAB Gilaitė, 10 shares / 40.00 %

		Chairman of LR central project managers' accreditation commissio. Member of LR Planners Association Board. UAB Energolinija Board member. UAB Universal Business Investment Group Management Board member. Birač AD Board member.	
BOARD OF THE BANK:			
Karpavičienė Edita	Chairwoman of the Board	GD UAB Bonum publicum Board member	UAB Amnis metallicus, 85000 shares/9.44 % UAB Ūkio banko investicinė grupė, 68282 shares/0.0 %
Ugianskis Gintaras	Deputy chairman of the Board	Chairman of UAB Ūkio bankas lizingas Board, Chairman of Balkan Investment Bank AD Watchdog Committee,	-
Balandis Rolandas	Board member Head of Corporate Banking Division		UAB Aloja, 2160 shares/9.92 %
Arnas Žalys	Board member Head of Finance Division	Member of Balkan Investment Bank AD Supervisory Council member of UAB Ūkio bankas lizingas Board Member of UAB Turto valdymo sprendimai Supervisory Council Member of UAB Turto valdymo strategija Supervisory Council	UAB Amnis Metallicus, 84000 shares/9.33 %
Antanas Grigaliauskas	Board member	UAB Ūkio bankas lizingas Director	-

42.4. The present and former members of the Bank's managing bodies do not have existing conviction for crimes against property, economic procedures and finance.

43. Information about remuneration and loans to members of the managing bodies

43.1. Information about the total and average amount of remunerations, tantiemes and other payments paid by the Bank from the profit to members of the Supervisory Council, Board and Administration (CEO, Chief Financial Officer) during the reporting period:

Remuneration

The total sum paid to the Supervisory Council (6 members) was LTL 215,416.00, the average amount per person was LTL 35,902.67;

The total sum paid to the Board (6 members) was LTL 616,944.00, the average amount per person was LTL 154,236.00;

The total sum paid to the Chief Executive Officer (deputy chairman of the board) was LTL 196,577;

The total sum paid to the Chief Financial Officer was LTL 153,992.96.

43.2. Remunerations, tantiemes and other payments from the profit paid during the reporting period by the companies, where the Bank holds more than 20 per cent of their share capital, to the members of the Bank's Supervisory Council, the Board and Administration

Member of the Board A.Grigaliauskas received payments only from the subsidiary Ūkio banko lizingas in 2005. The total amount of payments received during the reporting year was LTL 7600.

43.3. Loans made to members of the Bank's managing bodies during 2005:

Members of managing bodies	Loans made, guarantees and sureties issued during the reporting year 2005, LTL				Liabilities as of 31 12 2005, LTL				
	Credit limits in cards	Decisions made to increase credit limits	Decisions made to grant credits	Total decisions made to grant credits	Credit in card	Credits	Total credit amount	Guarantees and sureties	Total:
The Board									
E.Karpavičienė			600,000.00	600,000.00	250,60	559,415.00	559,665.60	120,848.00	680,513.60
R.Balandis				0.00			0.00		0.00
G.Ugianskis				0.00		29,311.00	29,311.00	120,848.00	150,159.00
A.Žalys			310,000.00	310,000.00			0.00		0.00

A.Grigaliauskas				0.00			0.00		0.00
S.Fedotovas		53,000.00	53,000.00				0.00		0.00
Total per year		0.00	963,000.00	963,000.00	250,60	588,726.00	588,976.60	241,696.00	830,672.60
The Council									
L.Varanavičius		191,904.00		191,904.00	14,206.41	425,460.80	439,667.21	120,848.00	560,515.21
V.Soldatenko	10,358.40		355,000.00	365,358.40		340,000.00	340,000.00	120,848.00	460,848.00
A.Kurauskienė				0.00	9,273.81		9,273.81		9,273.81
G.Jakavičienė				0.00	10,546.34		10,546.34		10,546.34
L.R.Butkus				0.00			0.00		0.00
O.Gončiaruk				0.00			0.00	120,848.00	120,848.00
Total per year	10,358.40	191,904.00	355,000.00	557,262.40	34,026.55	765,460.80	799,487.35	362,544.00	1,162,031.35
Chief Financial Officer									
V. Petraitiienė				0.00			0.00	28,800.00	28,800.00
Total per year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28,800.00	28,800.00

44. Transactions with related parties

During the year 2005 the Bank did not have unrepresentative to the ordinary activities transactions with related parties.

VI. RECENT AND MATERIAL EVENTS IN THE ISSUER'S ACTIVITIES AND ITS PROSPECTS

45. Recent events in the Issuer's activities.

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.

03 02 2005 Ūkio bankas consolidated the capital base by including the subordinated loan of USD 3 million (approx. LTL 7.6 million) made by Samsung Corporation to the capital. This loan increased Ūkio bankas capital base by 6 percent.

01 03 2005 On 3 March 2005 Ūkio bankas opened a Client Service Unit in Kretinga at 7a Rotušės square. It was the fourth Client Service Unit of Klaipėda Branch.

17 03 2005 Ūkio bankas opened a Client Service Unit in Utena, at 37 Kauno str. It is the first unit of the Bank in Utena.

21 03 2005 Ūkio bankas continues expanding activities in north-western Lithuania and on 22 March opened a Client Service Unit in Mažeikiai at 23 Laisvės str. It is the first unit of the Bank in Mažeikiai and the fifth unit of Klaipėda Branch.

22 03 2005 Ūkio bankas and Lithuanian Football Federation signed a long-term agreement and Ūkio bankas became the major sponsor of Lithuanian National Football Team. The Bank donated LTL 200 thousand to support the preparation of the team for FIFA World Cup 2006 qualifying tournaments.

29 03 2005 Ūkio bankas allocated LTL 1.076 million from previous year profit to dividends, 12 cents for each share. This decision was passed by shareholders of the Bank during the General Meeting.

04 04 2005 Ūkio bankas opened a representative office in Russia's capital city Moscow. The representative office represents interests of the bank and its clients in Russia and supports the economic cooperation of Lithuanian and Russian businessmen.

03 06 2005 Ūkio bankas 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.

14 06 2005 International rating agency Moody's gave Ūkio bankas a B1/NP rating for deposits and rated the Bank's financial capacity E+. Perspectives of both ratings are positive.

15 06 2005 AB Ūkio bankas opened a fifth Client Service Unit in Lithuania's capital city. The unit is located in a busy part of the city close to Vilnius bus and railway stations at 41/1 Pylimo str.

17 06 2005 Ūkio bankas opened a Client Service Unit in Druskininkai at 3 Šv. Jokūbo str. It is the second unit of the Bank in the southern part run by Alytus Branch.

22 06 2005 Ūkio bankas opened a 38th Client Service Unit in Visaginas.

07 07 2005 Lithuanian Securities Commission registered a new LTL 20 million issue of Ūkio bankas shares.

17 08 2005 Ūkio bankas ended the subscription for shares on the new LTL 20 million issue.

04 10 2005 Ūkio bankas opened a Client Service Unit in Marijampolė at 147 Kauno str.

04 10 2005 Ūkio bankas finished the public offering of the new LTL 20 million issue of the ordinary registered shares. 1,666,667 shares were subscribed and paid up. After the registration of the new issue the bank's capital increased from LTL 106.7 up to 126.7 million.

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.

29 10 2005 Ūkio bankas continues expanding the service network and on 23 October opened a new Client Service Unit in Vilnius in Naujoji Vilnia district at 37 Šiaurės str.

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 AB Ūkio bankas completed the placement of 366 days maturity bond issue of LTL 15 million nominal value on 07 11 2005. 150 000 nominal bonds were issued with 4.1 percent interest per annum. The bonds will be redeemed on 08 11 2006 at the nominal value of LTL po 100. The bonds are listed on Vilnius Stock Exchange.

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

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 became active member of this process.

06 12 2005 Ūkio bankas together with the insurance company PZU Lithuania implemented a Security Program to insure all holders of cards issued by Ūkio Bankas from illegal use of cards, damage of products purchased by card, loss resulting from price difference (lowest price guarantee) purchasing by card and stolen cash in the event of robbery.

2005 12 08 Ūkio bankas continues expanding the service network and on 9 December opens a new Client Service Unit in Klaipėda.

14 12 2005 Ūkio bankas Supervisory Council elected two new members of the Council: Head of Finance Office Arnas Žalys and Ūkio banko lizingas Director Antanas Grigaliauskas. Arnas Žalys has been working in the Bank from 1998 and Antanas Grigaliauskas has been working from 1993.

23 12 2005 Ūkio bankas Extraordinary Shareholders Meeting adopted a resolution to change the nominal value of the Bank's share from LTL 12 to LTL 1. The meeting also supported the Board's offer to increase the Bank's share capital with additional contributions by LTL 50 million up to LTL 176,708,000 by issuing additional 50 million shares of the par value of LTL 1. The Bank increases the share capital for further expansion in Lithuania and abroad.

46. Material events in the Issuer's activities

During the reporting period of 2005 information on 27 material events in the Bank's operation was announced:

- 1) 25.01.2005 - AB Ūkio bankas reported the net unaudited profit of LTL 5,737 million for the year 2004.
- 2) 27.01.2005 - On 21 01 2005 AB Ūkio bankas sold a 10.00 percent parcel of shares of the company UAB Domus Altera.
- 3) 21.02.2005 - AB Ūkio bankas General Meeting was convened.
- 4) 22.02.2005 - AB Ūkio bankas General Meeting was convened (appending of the agenda).
- 5) 10.03.2005 - Appending of General Meeting agenda.
- 6) 15.03.2005 - Offer of the Board to pay dividends for the year 2004.
- 7) 15.03.2005 - Offer of the Board to shareholders to increase the share capital with additional contributions.
- 8) 24.03.2005 - AB Ūkio bankas 2005-03-23 sold 100.00 percent parcel of shares of *UAB Optimalus turto valdymas*.
- 9) 24.03.2005 - resolutions of AB Ūkio bankas General Meeting:
Increase AB Ūkio bankas share capital.
Approve the new edition of AB Ūkio bankas Articles of Association.
- 10) 05.04.2005 - On 4 April 2005 AB Ūkio bankas Supervisory Council approved the Board members Sergejus Fedotovas application for dismissal.
- 11) 20.04.2005 - AB Ūkio bankas reported the unaudited net profit of LTL 2.406 million for the first quarter of 2005.
- 12) 07.07.2005 - Lithuanian Securities Commission registered the new issue of AB Ūkio bankas ordinary registered share for LTL 20,000,004.00.
- 13) 15.07.2005 - AB Ūkio bankas reported the net unaudited profit of LTL 5.320 million for the first half-year of 2005.
- 14) 21.09.2005 - AB Ūkio bankas Extraordinary General Meeting was convened.
- 15) 04.10.2005 - On 3 October the payment for the new AB Ūkio bankas share issue was completed.

- 16) 10.10.2005 - AB Ūkio bankas reported the unaudited net profit of LTL 9.672 million during nine months of the year 2005.
- 17) 11.10.2005 – Draft resolutions of the General Meeting of 21 10 2005 prepared by the Board.
- 18) 21.10.2005 - resolutions of the AB Ūkio bankas Extraordinary General Meeting.
- 19) 08.11.2005 – on 07-11-2005 AB Ūkio bankas completed the public offering of the issue of 366-days maturity bonds of the nominal value LTL 15 million.
- 20) 21.11.2005 - EUR 12 million syndicated loan was extended to AB Ūkio bankas.
Members of the loan: HSH Nordbank AG, Landsbanki Luxembourg S.A., Hypo Alpe-Adria Bank International AG, Dresdner Bank AG, Oberbank AG, Landesbank Saar, Kopavogur Savings Bank, Icebank hf. Loan duration is 1 year with the possibility of extension for one more year.
- 21) 22.11.2005 - AB Ūkio bankas Extraordinary General Meeting is convened.
- 22) 23.11.2005 - AB Ūkio bankas articles of association with increased share capital were registered in the Legal Persons Register on 22 11 2005.
- 23) 23.11.2005 - AB Ūkio bankas Extraordinary General Meeting was convened (appending and adjustment).
- 24) 12.12.2005 - AB Ūkio bankas Board approved draft resolutions of the Extraordinary General Meeting of 23 11 2005.
- 25) 14.12.2005 – on 13 December 2005 AB Ūkio bankas Supervisory Council elected Arnas Žalys and Antanas Grigaliauskas members of the Board.
- 26) 19.12.2005 – On the setting of AB Ūkio bankas share issue price.
- 27) 23.12.2005 – Resolution adopted by the Extraordinary General Meeting of 23 12 2005.
On the change of the nominal value of Ūkio bankas shares.
On the increase of Ūkio bankas authorized capital.

All notifications on material events were delivered to the news agencies BNS and ELTLA, Lithuanian Securities Commission, Lithuania Stock Exchange. Notifications were also placed on the Bank's website **www.ub.lt**.

47. Business strategy and its foreseen changes during the next financial years

Ūkio bankas will continue to implement the strategy of expansion with the aim to establish in the Lithuanian banking market and to take a significant market share. New share issues make one of the sources for the Bank's growth. A LTL 50 million share issue is planned for the 2nd quarter of 2006. As the issue will be offered for the higher than nominal value it will result in the issue balance that will significantly increase the equity base.

Reinvestment of the Bank's profit is another important source of increase of the equity base. During the period 2006 - 2008 the Bank expects to earn LTL 133.6 million profit and to reinvest it into the Bank's operations.

The enhanced efficiency of Ūkio bankas activities is related with the expansion of customer service network and intensive development of the product sales, improvement of the Bank's IT systems, greater attention to personnel management and better risk management. The Bank seeks to retain the current clients and maintain the rate of attracting the new customers.

Income is expected to increase with the growth of the Bank's loan portfolio which during the period 2006 – 2008 will be achieved from long-term credit resources borrowed in international finance markets and short-term credit resources borrowed in Lithuanian and foreign markets. The growth of loan portfolio and customer numbers should bring the increased fee and commission income.

The expected growth of the net value of the Bank's loan portfolio is from LTL 277 million in 2006 to LTL 607 million in 2007. Such growth will result from the successfully attracted new clients and credit resourced.

At the end of the year 2005 Ūkio bankas held shares of companies only for trading purposes except for the shares of subsidiaries (*UAB Ūkio bankas lizingas, UAB Turto valdymo sprendimai, UAB Turto valdymo strategijos* and *UAB Turto valdymo sistemas*), where all shares are owned by the Bank, and 75 percent of *Russkiy Karavay* shares owned through a subsidiary. During 2006 - 2008 the Bank intends to increase the equity securities portfolio.

The Bank's subsidiaries have invested into real estate (construction in progress) in Moscow with the book value of LTL 323.0 as of 31-12-2005. The Bank has plans to turn the building into a shopping centre and sell it afterwards.

During the 2nd half-year of 2006 the Bank set up a subsidiary for the bank's investment management.

In the future the Bank does not ignore plans to finance prospective investment or specific business projects subject to the acceptable ratio project risk and profit.

Finance and Risk Management Department Deputy Director
Financial Brokerage Department Deputy Director

Janina Falkauskienė
Rūta Kalašinskaitė-Kiškienė