AB ŪKIO BANKAS

Independent Auditor's Report,
Annual Report and
Financial Statements
for the year ended 31 December 2006

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	3
ANNUAL REPORT	4-9
FINANCIAL STATEMENTS:	
BALANCE SHEETS	10
STATEMENTS OF INCOME	11
STATEMENTS OF CHANGES IN EQUITY	12-13
STATEMENTS OF CASH FLOWS	14-15
EXPLANATORY NOTES	16-61

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Ūkio Bankas

Report on the Financial Statements

We have audited the accompanying financial statements (page 10 to 61) of AB Ūkio bankas ("the Bank") and the consolidated financial statements of AB Ūkio bankas and subsidiaries ("the Group"), which comprise the balance sheet and the consolidated balance sheet as of 31 December 2006, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the consolidated financial statements present fairly, in all material respects the financial position of the Bank and the Group as of 31 December 2006, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

We have read the accompanying Annual Report for the year ended 31 December 2006 (page 4 to 9) and have not noted any material inconsistencies between the historical financial information included in it and the financial statements for the year ended 31 December 2006.

L. Drakšienė

Deloitte Lietuva UAB
Juozas Kabašinskas
General Director

Certified auditor Lina Drakšienė
Auditor's Certificate No. 000062

Vilnius, Lithuania
5 March 2007

CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2006

REPORTING PERIOD FOR WHICH THE REPORT IS PRESENTED

The report includes information for the year 2006. All amounts are presented as of 31 December 2006, unless otherwise stated. AB Ūkio bankas can also be referred to as "the Bank", AB Ūkio bankas group – "the Group".

GENERAL INFORMATION ON THE BANK

Name of the Issuer:	AB Ūkio bankas
Share capital	LTL 176,708,000
Start-up Date:	27 June 1989
Period of activity:	unlimited
Registration date and place:	19 November 1990, the Bank of Lithuania, Vilnius
Company (Register) number:	112020136

License No. 1 issued to AB Ūkio bankas pursuant to the resolution No. 19 of the Bank of Lithuania of 19 November 1990 entitles the Bank to provide licensed financial services defined in the Republic of Lithuania Law on Banks Article 2(6) except for trading in precious metals.

Head Office address:	Maironio g. 25, LT-44250, Kaunas, Republic of Lithuania
Legal organizational form:	Public limited company
Jurisdiction:	Law of the Republic of Lithuania
Country where the Founder is established:	Republic of Lithuania
Telephone numbers:	+370 37 301301, 301470
Fax:	+370 37 323188;
E-mail address:	info@ub.lt
Website:	www.ub.lt
SWIFT:	UKIO LT 2X

OBJECTIVE OVERVIEW OF BANK'S POSITION, ACTIVITIES AND DEVELOPMENT, DESCRIPTION OF MAIN RISKS AND UNCERTAINTIES

AB Ūkio Bankas was established in June 1989 as Commercial Industry Bank. The Bank's main office is located in Kaunas, Maironio str. 25. The Bank has a business license issued from Bank of Lithuania for conducting all financial services specified by Lithuanian Banks Law and providing other services allowed under Lithuanian Financial Institutions Law, except for trading in precious metals.

At the end of year 2006, AB Ūkio bankas ranked 5th by capital and 7th by assets among the banks in Lithuania. In 2006, Bank's assets increased by LTL 841 million (39 percent) and made LTL 3.0 billion at the year-end. In 2006, the assets of the Group increased by LTL 844 million (36 percent) and made LTL 3.2 billion at the year-end.

Authorized share capital of the Bank and the Group increased by LTL 50 million (39 percent) in 2006 and made LTL 176.708 million at the year-end. The share capital comprised of 176.708 million ordinary shares with a par value of LTL 1 each. The Bank's shareholders owning more than 5 percent of the share capital are as follows:

	2006	2005
Vladimir Romanov	32.95 percent	19.43 percent
UAB Universal Business Investment Group Management	9.99 percent	9.99 percent
Zinaida Romanova	8.31 percent	9.99 percent
UAB FMĮ Finbaltus	6.96 percent	8.51 percent
UAB Asocijuoto Turto Valdymas	-	8.37 percent
Skandinaviska Enskila Banken clients	3.45 percent	7.36 percent

The Bank has 12 branches and 34 client service departments in Lithuania and 3 representative offices in foreign countries (Russia, Ukraine and Kazakhstan). During the year 2006, 5 new client service departments were opened and representative office in Kazakhstan was established. In addition, the Bank, directly or indirectly, has 7 subsidiaries. In 2006, the Bank has set up UAB Ūkio banko investicijų valdymas and UAB Ūkio Banko Lizingas has set up RAB Ūkio bank lizing (Ukraine). At of 31 December 2006, AB Ūkio bankas group consisted of AB Ūkio bankas (parent company) and the 7 subsidiaries listed below:

Name	Activity	Country	Ownership share
UAB Ūkio Banko Lizingas	Finance lease	Kaunas, Lithuania	100 percent
UAB Turto Valdymo Strategija	Financial intermediation	Kaunas, Lithuania	100 percent
UAB Turto Valdymo Sprendimai	Financial intermediation	Kaunas, Lithuania	100 percent
UAB Turto Valdymo Sistemos	Financial intermediation	Kaunas, Lithuania	100 percent
UAB Ūkio Banko Investicijų Valdymas	Financial intermediation	Kaunas, Lithuania	100 percent
OAO Russkij Karavaj *	Real estate and financial intermediation	Moscow, Russia	75 percent
RAB Ūkio Bank Lizing **	Finance lease	Kiev, Ukraine	100 percent

* UAB Turto Valdymo Strategija owns 75 percent of the shares of OAO Russkij Karavaj.
** UAB Ūkio Banko Lizingas owns 100 percent of the shares of RAB Ūkio Bank Lizing.

The Group's year 2006 results by business segments (in LTL thousand) are presented in the table below. As of 31 December 2006, the Banking segment includes financial information of AB Ūkio Bankas, Finance Lease segment includes financial information of UAB Ūkio Banko Lizingas and RAB Ūkio Bank Lizing. Other activities segment includes financial information of OAO Russkij Karavaj, UAB Turto Valdymo Strategija, UAB Turto Valdymo Sprendimai, UAB Turto Valdymo Sistemos and UAB Ūkio Banko Investicijų Valdymas.

	Group's year 2006 results by business segment				
	Banking	**Finance lease**	**Other activities**	**Elimination**	**Group**
Net result for the year	47,383	1,000	(4,898)	-	43,485
Attributable to:					
Equity holders of the parent	*47,383*	*1,000*	*(1,672)*	-	*46,711*
Minority interest	-	-	*(3,226)*	-	*(3,226)*
Assets	3,025,221	205,509	648,853	(677,105)	3,202,478
Liabilities	2,739,639	195,088	514,176	(632,678)	2,816,225

Main risks the Group and the Bank primarily face are credit, market (interest rate, currency rate, equity investments, equity price), liquidity and operational risks.

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

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Grouping of loans granted by AB Ūkio bankas group according to the Minimal Loan Assessment Requirements approved by the Bank of Lithuania revealed that as of 31 December 2006 the book value of loans for which, a loss event and an impairment loss has occurred made 9.7 percent of the book value of the Group's loan portfolio. Discounted cash flows from the collateral for the loans for which a loss event and an impairment loss has occurred make 27.0 percent of the nominal value of these loans, provisions for the impairment of these loans of LTL 52.3 million are formed – i.e. 36.4 percent of the nominal value of these loans and 5.2 percent of the nominal value of the Group's loan portfolio. A major part of the loans for which a loss event and an impairment loss has occurred consists of loans for which a loss event is recognized not because of payment delays, but because of a conservative assessment of the financial status of the borrower. Book value of loans that have payment delays of 60 or more days makes up 0.9 percent of the book value of the whole loan portfolio. For the investments held to maturity, no loss event has occurred and no provision was made. Provisions for the impairment of other assets amounted to LTL 7.4 million, i.e. 0.8 percent of the nominal value of other assets.

Market risk
Market risks result from open positions from transactions with interest rate, cross-currency and equity products subject to general and specific market changes. To assess the approximate level of market risks associated with the Group's/Bank's positions, and the expected maximum amount of potential losses, the Group/Bank uses internal reports and models for individual types of risks faced by the Group/Bank. The Group/Bank uses a system of limits, the aim of which is to ensure that the level of risks the Group/Bank is exposed to at any time does not exceed the level of risks the Group/Bank is willing and able to take. These limits are monitored on a daily basis.

For risk management purposes, the market risk is regarded as the risk of potential losses the Group/Bank may incur due to unfavorable development in market rates and prices. To manage market risks, the Group/Bank uses a system of limits imposed on individual positions and portfolios.

- Currency risk. The Group/Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

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

- Equity price risk. The Group and the Bank take on exposure to the effects of fluctuations in the prevailing equity prices on its financial position and cash flows. Equity price risk is assessed using statistical value-at-risk (VaR) models and managed by setting investment priorities, diversification criteria, setting and controlling limits.

Liquidity risk
Liquidity risk is the risk that the Group/Bank will be unable to meet its financial liabilities and the risk of loss resulting from a sudden drop of available resources and increased price of funds used to replenish the withdrawals. Group/Bank manages liquidity risk by projecting daily and short-term (<1 year) cash flows, analyzing long-term cash flows. Liquidity risk is limited by setting and controlling limits.

Operational risk
The Bank has established a Risks Management Committee. The principal objectives of this committee involve implementing such operational risk management that will facilitate the fulfillment of the requirements arising to the Group/Bank under Basel as well as general requirements of the regulator in respect of the Group's/Bank's internal management and control system. This committee is also responsible for business continuity planning and insurance.

Compliance with prudential requirements
In 2006, the Group and the Bank constantly were in compliance with all the requirements set by the Bank of Lithuania. The compliance with the limits and ratios set by the Bank of Lithuania as of 31 December 2006 is presented in the table below:

Ratio	Requirement	Bank's ratio	Group's ratio
Capital adequacy ratio	>= 8 percent	11.00 percent	13.33 percent
Liquidity ratio	>= 30 percent	61.25 percent	61.77 percent
Maximum credit exposure to a single borrower	<= 25 percent (for subsidiaries – 75 percent) of eligible capital	complied	complied
Large loans	<= 800 percent of eligible capital	322.06 percent	94.29 percent
Aggregate open foreign currency position	<= 25 percent of eligible capital	(14.77) percent	6.55 percent
Single open foreign currency position	<= 15 percent of eligible capital	(14.60) percent	4.72 percent

ANALYSIS OF FINANCIAL AND NON-FINANCIAL ACTIVITY RESULTS
Year 2006 was very successful both to AB Ūkio bankas and AB Ūkio bankas group. In 2006, the management of AB Ūkio bankas successfully implemented strategic plans of the Bank's and the Group's development and main goals set by shareholders.

The result of the activity of the Bank for the year 2006 is a net profit of LTL 47.383 million – i.e. 1.5 times more than planned (LTL 30.593 million) and 2.4 times more than in the year 2005. AB Ūkio bankas group earned net profit of LTL 43.485 million in 2006 – i.e. 2.2 times more than in the year 2005. In 2006, the Bank's assets increased by LTL 841 million (39 percent) and made LTL 3.0 billion at the year-end. The Group's assets increased by LTL 844 million (36 percent) and made LTL 3.2 billion at the year-end. Main audited financial indicators of the Group and the Bank (in LTL thousand unless stated otherwise) are presented in the table below:

Group's indicators 2006	2005	INCREASE LTL 000s	per cent	ITEM	Bank's indicators 2006	2005	INCREASE LTL 000s	per cent
193,366	104,991	88,375	84	Net interest, fee and commission income, before provisions	175,718	88,110	87,608	99
94,525	63,887	30,638	48	Operating expenses before provisions and income tax	80,070	52,519	27,551	52
98,841	41,104	57,737	140	Profit before provisions and income tax	95,648	35,591	60,057	169
43,264	17,606	25,658	146	Provision expense	38,923	13,282	25,641	193
55,577	23,498	32,079	137	Pre-tax profit	56,725	22,309	34,416	154
12,092	3,866	8,226	213	Income tax	9,342	2,647	6,695	253
43,485	19,632	23,853	122	Net profit	47,383	19,662	27,721	141
(3,226)	(616)	(2,610)	424	Net profit attributable to minority interest	-	-	-	-
46,711	20,248	26,463	131	Net profit attributable to the shareholders of the Bank	47,383	19,662	27,721	141
3,202,478	2,358,748	843,730	36	Assets	3,025,221	2,183,868	841,353	39
838,696	553,923	284,773	51	Loans to customers, net	801,852	503,426	298,426	59
2,106,116	1,469,491	636,625	43	Deposits from customers	2,106,116	1,469,491	636,625	43
386,253	234,538	151,715	65	Equity	285,582	149,385	136,197	91
176,708	126,708	50,000	39	Number of ordinary shares in issue at the end period (thousands units)	176,708	126,708	50,000	39
152,050	108,684	43,366	40	Weighted average numbers of ordinary shares in issue (thousands units)	152,050	108,684	43,366	40
1.56	1.00			Return on assets (percent)	1.82	1.07		
14.01	11.24			Return on equity (percent)	21.79	15.15		
0.49	0.61			Expense / Net interest, fee and commission income before provisions and income tax (ratio)	0.46	0.60		
0.71	0.78			Expense / Income before income tax	0.68	0.75		
0.31	0.19			Basic earnings per share (in LTL)	0.31	0.19		
0.30	0.18			Diluted earnings per share (in LTL)	0.31	0.17		

Note: number of shares in yr. 2005 and related indicators have been recalculated to match current nominal value of shares (LTL 1)

Main indicators of activity:

- Year 2006 is the most successful year in the history of the activities of the Group and the Bank. In 2006, Ūkio bankas Group earned net profit of LTL 43.485 million – i.e. 2.2 times more than in 2005.
- In 2006 the Bank opened 5 new client service departments. At 31 December 2006, the Bank's service network consisted of 46 outlets – 12 branches and 34 client service departments.
- In 2006, the Bank established its representative office in Kazakhstan. As of 31 December 2006, the Bank had 3 representative offices in Kiev (Ukraine), Moscow (Russia) and Almaty (Kazakhstan).
- In 2006, the Bank established a 100 percent owned subsidiary UAB Ūkio Banko Investicijų Valdymas, which specializes in operations with securities and fund management. UAB Ūkio banko lizingas established a 100 percent owned leasing subsidiary, RAB Ūkio Bank Lizing in Kiev (Ukraine).
- In 2006, the number of active customers of AB Ūkio bankas increased by 25 percent and was more than 65 thousand as of 31 December 2006.
- The Bank's a 100 percent owned leasing subsidiary UAB Ūkio banko lizingas offers its services through over 2.5 thousand sales points located throughout entire Lithuania. As of 31 December 2006, UAB Ūkio Banko Lizingas had 165 thousand customers – i.e. the number of customers increased by 12 percent during the year.
- In 2006, compared to previous year, net interest, fee and commission income before provisions earned by the Group increased by 84 percent and made LTL 193 million. The Group's expenses before provisions and income tax increased by 48 percent and made LTL 95 million.
- In Q2 2006, the Bank successfully issued a new stock emission with a nominal value of LTL 50 million. It was sold with LTL 34.5 million share surplus. This share issue and excellent activity results strengthened the capital base of AB Ūkio bankas Group and laid grounds to further growth of the Group.
- In December 2006, the Bank received a syndicated loan of EUR 38.5 million from 19 banks.
- On 13 July 2006, AB Ūkio bankas shares were included into the prestigious Main List of Vilnius Stock Exchange. The Bank's shares have been traded in the I-List since 1 June 1998. AB Ūkio bankas became the first financial institution shares which are traded in the Main List. In 2006, the price of the Bank's ordinary registered shares increased 2.2 times up to LTL 3.91, and market capitalization increased 3.1 times up to LTL 691 million.

Credit rating
Credit ratings assigned by the international rating agency Moody's to AB Ūkio bankas 13 June 2005 were as follows:

- Deposit rating B1/NP
- Financial strength rating E+

The perspective of the ratings was stable.

24 February 2007, Moody's upgraded long-term deposit rating of AB Ūkio bankas up to Ba3, and the financial strength rating up to D- (the perspective of both ratings is stable).

Income and expenses
As compared to previous year, net interest, fee and commission income of AB Ūkio bankas group increased by LTL 88 million or 84 percent up to LTL 193 million. All main income items of the Group grew in rapid rates. Increase in interest-earning assets and increase in market interest rates caused the growth of net interest income by 97 percent up to LTL 78 million. They made 40 percent of the Group's income. The largest share of the Group's income (42 percent) was comprised of net service fees and commission income, which grew 2 times up to LTL 80 million. Their growth was influenced by the rapid growth of service network (for instance, since the beginning of yr. 2005, AB Ūkio bankas opened 18 new client service departments, thus increasing its branch network by 64 percent, from 28 up to 46 outlets), growth in number of customers and operations, favorable pricing decisions. Income from operations with foreign currency, derivative and other financial instruments increased 2.3 times up to LTL 32 million and made 16 percent of the Group's income. Other income decreased by 72 percent down to LTL 3 million and made 2 percent of the Group's income. Income structure of the Group and the Bank (in LTL thousand) is presented in the table below:

Group					Bank			
		GROWTH					GROWTH	
2006 m.	**2005 m.**	**LTL 000s**	**per cent**	**ITEM**	**2006 m.**	**2005 m.**	**LTL 000s**	**per cent**
78,011	39,648	38,363	97	Net interest income	56,373	25,684	30,689	119
80,457	39,875	40,582	102	Net service fees and commission income	82,967	39,422	43,545	110
31,599	13,734	17,865	130	Income from operations with foreign currency, securities, derivative and other financial instruments	33,586	17,806	15,780	89
3,299	11,734	(8,435)	(72)	Other income	2,792	5,198	(2,406)	(46)
193,366	**104,991**	**88,375**	**84**	**Total income**	**175,718**	**88,110**	**87,608**	**99**

Intensive expansion of AB Ūkio bankas group, growth in assets and service network, growth in number of customers and operations caused the increase in operating expenses of the Group by LTL 31 million or 48 percent compared to the previous year up to LTL 95 million. 33 percent of the Group's expenses consisted of staff expenses, which increased by 65 percent up to LTL 31 million.

The Group's provision expenses increased 2.5 times up to LTL 43 million, income tax expenses increased 3.1 times up to LTL 12 million.

Assets, liabilities and equity
In 2006, the Group's assets increased by LTL 844 million or 36 percent and made LTL 3.2 billion at the year-end. Due from banks and other financial institutions made 28 percent of the Group's assets. They increased by 6 percent and made LTL 891 million as of 31 December 2006. Loans to customers comprising 26 percent of the Group's assets increased by 51 percent and amounted to LTL 839 million at the year-end. Securities portfolio increased 2.4 times up to LTL 661 million and made 21 percent of the Group's assets. Plant, property and equipment, major part of which includes unfinished construction building in Moscow, increased by LTL 13 million and amounted to LTL 371 million, or 12 percent of the Group's assets at the year-end.

As of 31 December 2006, deposits from private persons made 38 percent of Group's liabilities. During the year, they increased by LTL 316 million or 43 percent and amounted to LTL 1.1 billion at the year-end. Corporate deposits, comprising 37 percent of Group's liabilities, increased by LTL 321 million or 44 percent and made LTL 1.0 billion as of 31 December 2006. Lt. Due to banks and other financial institutions made 21 percent of the Group's liabilities. During the year, they increased by 7 percent up to LTL 590 million as of 31 December 2006.

Good results of activity and successfully issued stock emission caused the Group's equity to increase during 2006 by 65 percent up to LTL 386 million. As of 31 December 2006, equity attributable to equity holders of the parent amounted to LTL 357 million (increased by 72 percent during the year), and minority interest made LTL 30 million (increased by 10 percent).

REFERENCES AND ADDITIONAL EXPLANATIONS ON DATA PRESENTED IN THE ANNUAL FINANCIAL REPORTS

All the financial data in this annual report are presented in accordance with International Financial Reporting Standards and International Financial Reporting Standards as adopted by EU and audited, unless indicated otherwise.

INFORMATION ON ACQUIRED OR DISPOSED OF OWN SHARES

In the reporting period, the Bank had no treasury shares.

NUMBER OF EMPLOYEES AT THE END OF PERIODS

As of 31 December 2006 the Group and the Bank employed 572 and 504 employees respectively (as of 31 December 2005: 508 and 421).

RESTRAINTS TO FREELY TRANSFER SECURITIES

There are no restraints to freely transfer shares of the Bank, except for the cases cited in the Republic of Lithuania Law on Banks. Shareholders of a bank may not be:

- the legal persons financed from State or municipal budgets;
- the persons who have not submitted, in the cases and according to the procedure set forth by legal acts, to the supervisory institution data on their identities, members, activities, financial situation, the heads of a legal person, the persons for whose benefit shares are acquired or the legitimacy of the acquisition of the funds used to acquire the bank's shares or who have not proved the legitimacy of the acquisition of the funds used to acquire the bank's shares;
- the persons who object that the supervisory institution manages, in the cases and according to the procedure set forth by laws and other legal acts, their data required for the issuance of the licenses and granting of the authorizations and consents provided for under this Law, including their personal data and information on a person's previous convictions and health.

A person wishing to acquire a 10 percent or more holding of a bank's authorized capital and/or voting rights or to increase it so that the proportion of the authorized capital and/or voting rights held by him would make up 1/5, 1/3 or 1/2 of the holding or so that the bank would become controlled by him must obtain prior consent of the supervisory institution.

SIGNIFICANT EVENTS THAT HAPPENED AFTER THE END OF FINANCIAL YEAR

In January 2007, the board of the Bank decided to increase the Group's stake in GD UAB Bonum Publicum up to 100 percent.

INFORMATION ON THE GROUP'S ACTIVITY PLANS, DEVELOPMENT AND FORECASTS

In 2007, AB Ūkio bankas group plans further expansion in Lithuania and abroad, to assure efficient, rational and profitable activity. There are plans to introduce life insurance services in the Group's product mix by acquiring 100 percent of the life insurance company GD UAB Bonum Publicum shares, start rendering services in EU countries.

In 2007, AB Ūkio bankas plans to earn net profit of LTL 61 million and to increase its assets up to LTL 4.2 billion by the year-end. AB Ūkio bankas group plans to earn net profit of LTL 63 million in 2007.

INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Information on compliance with the Corporate Governance Code is included in the Note 1 to this report.

INFORMATION ON PUBLICLY PRESENTED INFORMATION

All notifications provided for by the Law to be made public are announced in the Lietuvos Rytas daily in compliance with the terms set forth in the Republic of Lithuania laws and acts of law of the supervising institution and material events are delivered to the news agencies BNS and ELTA. Bank's notifications are also available on Bank's website www.ub.lt.

Edita Karpavičienė
Chairwoman of the Board

5 March 2007

AB ŪKIO BANKAS

BALANCE SHEETS
AS OF 31 DECEMBER 2006
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2006	The Group 2005	The Bank 2006	The Bank 2005
ASSETS					
Cash and balances with central bank	**4**	214,723	113,621	214,723	113,621
Loans and advances to banks and other financial institutions	**5**	890,837	842,956	1,280,205	1,198,377
Financial assets designated at fair value	**6**	363,071	159,412	363,071	159,412
Loans and receivables	**7,8**	838,696	553,923	801,852	503,426
Finance lease receivables	**9**	156,608	121,426	-	-
Investment securities:					
available-for-sale	**10**	*35,908*	*16,261*	*32,982*	*16,261*
held-to-maturity	**10**	*261,930*	*98,475*	*261,916*	*96,805*
Investments in subsidiaries	**11**	-	-	4,600	4,000
Intangible assets	**12**	5,280	6,044	1,220	1,306
Property, plant and equipment	**13**	352,537	339,746	19,532	15,888
Investment property	**13**	18,813	18,813	11,483	11,483
Deferred income tax assets	**30**	-	6,021	-	6,021
Other assets	**14**	64,075	82,050	33,637	57,268
Total assets		**3,202,478**	**2,358,748**	**3,025,221**	**2,183,868**
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	**15**	589,524	550,712	581,547	518,609
Due to customers	**16**	2,106,116	1,469,491	2,106,116	1,469,491
Debt securities in issue		-	4,860	-	4,860
Subordinated loans	**17**	8,563	9,057	8,563	9,057
Deferred income tax liabilities	**29**	42,364	35,907	2,863	336
Other liabilities	**18**	69,658	54,183	40,550	32,130
Total liabilities		**2,816,225**	**2,124,210**	**2,739,639**	**2,034,483**
EQUITY					
Share capital	**19**	176,708	126,708	176,708	126,708
Share premium		34,500	-	34,500	-
Revaluation reserve – available-for-sale investment securities		8,191	1,903	7,484	1,903
General reserve for losses of assets		8,377	-	8,377	-
Fixed assets revaluation reserve		60,145	49,875	-	-
Currency translation reserve		5,492	3,037	-	-
Legal reserve		2,296	339	2,183	339
Other reserves		2,000	2,000	2,000	2,000
Retained earnings		58,958	23,848	54,330	18,435
Equity attributable to equity holders of the parent		**356,667**	**207,710**	**285,582**	**149,385**
Minority interest		29,586	26,828	-	-
Total equity		**386,253**	**234,538**	**285,582**	**149,385**
Total liabilities and equity		**3,202,478**	**2,358,748**	**3,025,221**	**2,183,868**

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

The financial statements were approved by the Board of the Bank on 5 March 2007 and signed on its behalf by:

E. Karpavičienė
Chairwomen of the Board

V. Petraitienė
Chief Accountant

STATEMENTS OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2006	The Group 2005	The Bank 2006	The Bank 2005
Interest income	**20**	133,111	74,851	109,878	59,298
Interest expense	**20**	(55,100)	(35,203)	(53,505)	(33,614)
Net interest income		**78,011**	**39,648**	**56,373**	**25,684**
Fees and commission income	**21**	102,142	56,507	104,200	55,633
Fees and commission expense	**21**	(21,685)	(16,632)	(21,233)	(16,211)
Net fee and commission income		**80,457**	**39,875**	**82,967**	**39,422**
Gains less losses arising from dealing in foreign currencies	**22**	27,989	11,309	22,956	11,393
Gains less losses arising from dealing on trading securities	**22**	6,242	3,589	6,242	3,589
Gains less losses arising from investment securities	**22**	602	236	598	4,224
Gains less losses arising from dealing in derivatives and other financial instruments	**22**	(3,234)	(1,400)	3,790	(1,400)
Impairment charge for credit losses	**23**	(43,546)	(18,105)	(39,205)	(13,781)
Written off loans recovered		282	499	282	499
Other operating income	**24**	3,299	11,734	2,792	5,198
OPERATING PROFIT		**150,102**	**87,385**	**136,795**	**74,828**
OPERATING EXPENSES	**25**	(94,525)	(63,887)	(80,070)	(52,519)
PROFIT BEFORE INCOME TAX		**55,577**	**23,498**	**56,725**	**22,309**
Income tax expense	**28**	(12,092)	(3,866)	(9,342)	(2,647)
NET PROFIT FOR THE YEAR		**43,485**	**19,632**	**47,383**	**19,662**
Attributable to:					
Equity holders of the parent		46,711	20,248	47,383	19,662
Minority interest		(3,226)	(616)	-	-
		43,485	**19,632**	**47,383**	**19,662**
Basic Earnings Per Share (in LTL)	**30**	**0.31**	**0.19**	**0.31**	**0.18**
Diluted Earnings Per Share (in LTL)	**30**	**0.30**	**0.18**	**0.31**	**0.17**

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

The financial statements were approved by the Board of the Bank on 5 March 2007 and signed on its behalf by:

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Chairwomen of the Board

V. Petraitienė
Chief Accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts in LTL thousands unless otherwise stated)

The Bank	Share Capital	Share premium	Other reserves	Revaluation reserve available for sales investment securities	General reserve for losses of assets	Legal reserve	Retained earnings	Total
As of 31 December 2004	**106,708**	**-**	**2,000**	**1,217**	**-**	**-**	**178**	**110,103**
Dividends paid	-	-	-	-	-	-	(1,066)	(1,066)
Changes in fair value of investment securities available for sale, net of tax	-	-	-	686	-	-	-	686
Transfer to legal reserve	-	-	-	-	-	339	(339)	-
Increase in share capital	20,000	-	-	-	-	-	-	20,000
Net profit	-	-	-	-	-	-	19,662	19,662
As of 31 December 2005	**126,708**	**-**	**2,000**	**1,903**	**-**	**339**	**18,435**	**149,385**
Increase in share capital	50,000	34,500	-	-	-	-	-	84,500
Transfer to legal reserve	-	-	-	-	-	1,844	(1,844)	-
Transfer to general reserve for losses of assets	-	-	-	-	8,377	-	(8,377)	-
Dividends paid	-	-	-	-	-	-	(1,267)	(1,267)
Changes in fair value of investment securities available for sale, net of tax	-	-	-	5,581	-	-	-	5,581
Net profit	-	-	-	-	-	-	47,383	47,383
As of 31 December 2006	**176,708**	**34,500**	**2,000**	**7,484**	**8,377**	**2,183**	**54,330**	**285,582**

(Continued)

AB ŪKIO BANKAS

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts in LTL thousands unless otherwise stated)

The Group	**Share Capital**	**Share premium**	**Other reserves**	**Revaluation reserve available for sales investment securities**	**General reserve for losses of assets**	**Fixed assets revaluation reserve**	**Currency translation reserve**	**Legal reserve**	**Retained earnings**	**Equity attributable to equity holders of the parent**	**Minority interest**	**Total**
As of 31 December 2004	**106,708**	**-**	**2,000**	**1,217**	**-**	**-**	**-**	**-**	**5,005**	**114,930**	**-**	**114,930**
Dividends paid	-	-	-	-	-	-	-	-	(1,066)	(1,066)	-	(1,066)
Transfer to legal reserve	-	-	-	-	-	-	-	339	(339)	-	-	-
Minority share in acquired subsidiary	-	-	-	-	-	-	-	-	-	-	10,161	10,161
Currency translation adjustment	-	-	-	-	-	-	3,037	-	-	3,037	908	3,945
Increase in fixed assets revaluation reserve, net of tax	-	-	-	-	-	49,875	-	-	-	49,875	16,375	66,250
Changes in fair value of investment securities available for sale, net of tax	-	-	-	686	-	-	-	-	-	686	-	686
Increase in share capital	20,000	-	-	-	-	-	-	-	-	20,000	-	20,000
Net profit (loss)	-	-	-	-	-	-	-	-	20,248	20,248	(616)	19,632
As of 31 December 2005	**126,708**	**-**	**2,000**	**1,903**	**-**	**49,875**	**3,037**	**339**	**23,848**	**207,710**	**26,828**	**234,538**
Dividends paid	-	-	-	-	-	-	-	-	(1,267)	(1,267)	-	(1,267)
Increase in share capital	50,000	34,500	-	-	-	-	-	-	-	50,000	-	84,500
Transfer to legal reserve	-	-	-	-	-	-	-	1,957	(1,957)	-	-	-
Transfer to reserve for losses of receivables	-	-	-	-	8,377	-	-	-	(8,377)	-	-	-
Currency translation adjustment	-	-	-	-	-	-	2,455	-	-	2,455	1,039	3,494
Increase in fixed assets revaluation reserve, net of tax	-	-	-	-	-	10,270	-	-	-	10,270	4,945	15,215
Changes in fair value of investment securities available for sale, net of tax	-	-	-	6,288	-	-	-	-	-	6,288	-	6,288
Net profit (loss)	-	-	-	-	-	-	-	-	46,711	46,711	(3,226)	43,485
As of 31 December 2006	**176,708**	**34,500**	**2,000**	**8,191**	**8,377**	**60,145**	**5,492**	**2,296**	**58,958**	**356,667**	**29,586**	**386,253**

(Concluded)

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

The financial statements were approved by the Board of the Bank on 5 March 2007 and signed on its behalf by:

E. Karpavičienė
Chairwomen of the Board

V. Petraitienė
Chief Accountant

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2006	Restated (Note 3) The Group 2005	The Bank 2006	Restated (Note 3) The Bank 2005
CASH FLOW FROM (TO) OPERATING ACTIVITIES					
Interest received		116,485	72,372	93,917	56,819
Interest paid		(48,720)	(34,899)	(46,470)	(33,310)
Recovery of previously written off loans		368	594	368	594
Net receipts from operations with foreign currency		21,905	6,350	28,977	6,360
Net receipts from operations with trading securities		16,581	10,634	16,570	10,634
Net receipts for services and commission		80,259	39,841	82,769	39,388
Payments of salaries and associated payments		(31,369)	(19,042)	(26,962)	(16,846)
Income tax paid		(1,206)	(240)	(935)	(182)
Other payments		(55,885)	(30,810)	(46,650)	(27,777)
Net cash provided by operating activities before change in operating assets and liabilities		**98,418**	**44,800**	**101,584**	**35,680**
Changes in operating assets and liabilities:					
Compulsory reserves held in central bank		(61,743)	(52,487)	(61,743)	(52,487)
Loans and advances to banks and other financial institutions		(185,316)	(236,113)	(220,051)	(319,682)
Securities at fair value through profit or loss		(165,691)	(86,083)	(165,691)	(86,083)
Loans and advances to customers		(325,625)	(274,495)	(338,016)	(238,517)
Other assets		(9,944)	(66,062)	12,099	(29,492)
Due to central bank		-	(4,185)	-	(4,185)
Due to other banks and financial institutions		38,428	19,394	62,558	8,645
Due to customers		630,948	597,061	630,948	612,378
Other liabilities		17,452	21,637	3,653	2,184
Net cash provided by/(used in) operating activities		**36,927**	**(36,533)**	**25,341**	**(71,559)**
CASH FLOW FROM (TO) INVESTING ACTIVITIES					
Acquisition of subsidiaries	**11**	(1,107)	(33,945)	(600)	-
Disposal of subsidiaries	**11**	-	4,200	-	4,200
Purchase of fixed assets		(17,321)	(8,464)	(7,870)	(5,921)
Acquisition of securities available for sale		(181,388)	(89,743)	(180,118)	(91,900)
Net cash used in investing activities		**(199,816)**	**(127,952)**	**(188,588)**	**(93,621)**

(Continued)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2006	Restated (Note 3) The Group 2005	The Bank 2006	Restated (Note 3) The Bank 2005
CASH FLOW FROM (TO) FINANCING ACTIVITIES					
Issue of share capital		84,500	20,000	84,500	20,000
Interest paid		(393)	(263)	(393)	(263)
Issued debt securities		(4,860)	4,074	(4,860)	4,074
Dividends paid		(1,267)	(1,066)	(1,267)	(1,066)
Net cash from financing activities		**77,980**	**22,745**	**77,980**	**22,745**
Net decrease in cash and cash equivalents		**(84,909)**	**(141,740)**	**(85,267)**	**(142,435)**
Cash and cash equivalents at the beginning of period	**31**	**395,908**	**537,648**	**395,048**	**537,483**
Cash and cash equivalents at the end of period	**31**	**310,999**	**395,908**	**309,781**	**395,048**

(Concluded)

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

The financial statements were approved by the Board of the Bank on 5 March 2007 and signed on its behalf by:

E. Karpavičienė
Chairwomen of the Board

V. Petraitienė
Chief Accountant

NOTE 1 GENERAL INFORMATION

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

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

The Bank has 12 branches and 34 client service departments in Lithuania and 3 representative offices in foreign countries. In addition, the Bank has, directly or indirectly, 7 subsidiaries, UAB Ūkio Banko Lizingas, set up in 1997, UAB Turto Valdymo Strategija, UAB Turto Valdymo Sprendimai and UAB Turto Valdymo Sistemos, set up in 2004 and Ūkio Banko Investicijų Valdymas set up in 2006. OAO Russkij Karavaj (Russia), acquired in 2005 with 75 % of shares owned by UAB Turto Valdymo Strategija and UAB Ūkio Banko Lizingas has set up RAB Ūkio Bank Lizing (Ukraine) in 2006.

As of 31 December 2006 the Group and the Bank employed 572 and 504 employees respectively (as of 31 December 2005: 508 and 421).

AB Ūkio bankas ordinary registered shares have been traded on the Vilnius Stock Exchange since June 1998. The trade in AB Ūkio bankas shares on the Official List was started on 13 July 2006. AB Ūkio bankas is the first financial sector company having its shares quoted on the Official List of the Stock Exchange.

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

	2006	2005
Mr. Vladimir Romanov	32.95%	19.43%
UAB Universal Business Investment Group Management	9.99%	9.99%
Zinaida Romanova	8.31%	9.99%
UAB FMĮ Finbaltus	6.96%	8.51%
UAB Asocijuoto Turto Valdymas	-	8.37%
Skandinaviska Enskila Banken clients	3.45%	7.36%

NOTE 2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS

In the current year, the Group/Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC), that are relevant to the Group/Bank operations and effective for accounting periods beginning on 1 January 2006. The adoption of such standards did not have any significant impact on the financial statements.

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

- IAS 1 (amendment) Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1 January 2007);
- IFRS 7 Financial instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007);
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflatory Economies (effective for annual periods beginning on or after 1 March 2006).
- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009) (not yet endorsed by the EU);
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006).
- IFIRC 10, Interim Financial Reporting and Impairment (effective 1 November 2006) (not yet endorsed by the EU);
- IFRIC 11, IFRS 2 – Group Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007) (not yet endorsed by the EU); and
- IFRIC 12, Service Concession Arrangements (effective 1 January 2008) (not yet endorsed by the EU).

The management of the Group/Bank anticipates that the early adoption of these Standards and Interpretations will have no material impact on the financial statements.

The adoption of the following new and revised Standards and Interpretations has not resulted in changes to the Group's/Bank's accounting policies:

- IAS 39 (amendment) The Fair Value Option (effective for annual periods beginning on or after 1 January 2006);
- IAS 21 (amendment) Net Investments in a Foreign Operation (effective for annual periods beginning on or after 1 January 2006);
- IFRIC 4 Determining Whether an Arrangement Contains a Lease (effective for annual periods beginning on or after 1 January 2006).

<u>IAS 39 (Amendment), the Fair Value Option</u>
This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category.

The amendment of IAS 39 has been applied retrospectively and comparative financial statement were rested using new designations at the beginning of the comparative period or, if financial assets, financial liability, or group of financial assets, financial liabilities or both acquired after the beginning of the comparative period at the date of initial recognition.

<u>IFRIC 4, Determining whether an Arrangement contains a Lease</u>
IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards ("IFRSs") as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) and currently effective for the purpose of these financial statements, except for certain hedge accounting requirements under IAS 39, which have not been adopted by the EU. The Group/Bank has determined that the unendorsed, hedge accounting requirements under IAS 39 would not impact the Bank's and consolidated financial statements had they been endorsed by the EU at the balance sheet date.

The financial statements have been prepared under the historical cost convention except of for construction in progress, investment property, financial assets and financial liabilities that are stated at fair value.

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

The accounting policies have been consistently applied by all Group entities.

The principal accounting policies adopted are set out below:

b) Principles of consolidation

As of 31 December 2006 the Group financial statements include the accounts of the Bank and the following subsidiaries:

Name	Activity	Country	Ownership share
UAB Ūkio Banko Lizingas	Finance lease	Kaunas, Lithuania	100 %
UAB Turto Valdymo Strategija	Financial intermediation	Kaunas, Lithuania	100 %
UAB Turto Valdymo Sprendimai	Financial intermediation	Kaunas, Lithuania	100 %
UAB Turto Valdymo Sistemos	Financial intermediation	Kaunas, Lithuania	100 %
UAB Ūkio Banko Investicijų Valdymas	Financial intermediation	Kaunas, Lithuania	100 %
OAO Russkij Karavaj *	Real estate and financial intermediation	Moscow, Russia	75 %
RAB Ūkio Bank Lizing **	Finance lease	Kiev, Ukraine	100 %

* UAB Turto Valdymo Strategija owns 75 % of shares of OAO Russkij Karavaj.
** UAB Ūkio Banko Lizingas owns 100 % of shares of RAB Ūkio Bank Lizing.

As of 31 December 2005 the Group financial statements include the accounts of the Bank and the following subsidiaries:

Name	Activity	Country	Ownership share
UAB Ūkio Banko Lizingas	Finance lease	Kaunas, Lithuania	100 %
UAB Turto Valdymo Strategija	Financial intermediation	Kaunas, Lithuania	100 %
UAB Turto Valdymo Sprendimai	Financial intermediation	Kaunas, Lithuania	100 %
UAB Turto Valdymo Sistemos	Financial intermediation	Kaunas, Lithuania	100 %
OAO Russkij Karavaj *	Real estate and financial intermediation	Moscow, Russia	75 %

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

The consolidated financial statements include all subsidiaries that are controlled, directly or indirectly, by the parent company. When an entity began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. Control is presumed to exist where more than one half of a subsidiary's voting power is controlled by the parent company, or the parent company is able to govern the financial and operational policies of a subsidiary, or control the removal or appointment of majority of a subsidiary's board of directors.

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

Minority interests in the equity and results of companies that are controlled, directly or indirectly, by the Group are shown as a separate item of the shareholders equity in the Group financial statements.

c) Foreign currency transactions

Transactions denominated in foreign currencies are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities, including unmatured commitments to deliver or acquire foreign currencies under spot exchange transactions, if any, are translated at the exchange rate effective at the balance sheet date.

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

	2006	**2005**
USD	2.6304	2.9102
EUR	3.4528	3.4528
100 RUB	9.9708	10.1312

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

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of income are translated at annual average exchange rates;
- all resulting exchange differences are recognised in equity as Currency translation rezerve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, are taken to equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

d) Recognition of income and expenses

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

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

e) Financial assets

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

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

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  – adverse changes in the payment status of borrowers in the group; or
  – national or local economic conditions that correlate with defaults on the assets in the Group.

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

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

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

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

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

f) Debt and Equity Securities

Securities are classified into the following groups:

Securities at fair value;
Investment securities available-for-sale;
Investment securities held-to-maturity;
Investments into subsidiaries.

All securities are accounted for at settlement date.

Securities at fair value
Securities at fair value are classified as securities held for trading and securities upon initial recognition designated at fair value through profit or loss.

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

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

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

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

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

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

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

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

A financial asset (as defined in IAS 39) is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate. When an impairment of assets is identified, the Group/Bank recognizes provisions through the statement of income account line "Operating expenses".

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

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

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

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

g) Lease

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

<u>Group/Bank as lessee:</u>
Assets held under finance lease are recognized as assets at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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

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

<u>Group/Bank as lessor:</u>
When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable.

The difference between the gross receivable and the present value of the receivable is recognized as unearned financial income.

Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

h) Cash and cash equivalents

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

i) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity is recognized as an asset and initially measured at cost, being the excess of the acquisition cost over the Group's/Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is presented in the intangible fixed assets line in the balance sheet. Goodwill is not amortized and is tested for impairment at least on an annual basis.

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

j) Property, plant and equipment and intangible fixed assets (except for goodwill)

Intangible assets are measured initially at cost less accumulated amortization and impairment loss. Amortization is computed using the straight-line method over the estimated useful lives of the intangible assets as follows:

Software	3 years

Property, plant and equipment, excluding construction in progress, are stated at historical cost, less accumulated depreciation and impairment loss. Property, plant and equipment are assets that are controlled by the Group/Bank, which expected to generate economic benefits in the future periods with the useful life exceeding one year, and which acquisition (manufacturing) costs could be reliably defined and is higher then LTL 1,000. Liquidation value is 1 Lt.

Property, plant and equipment depreciation is computed on a straight-line basis over the following average estimated useful lives:

Buildings and other real estate	60 years
Vehicles	4-10 years
Office equipment	2-30 years

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

On each balance sheet date, the Group/Bank reviews fixed assets useful life, residual value and depreciation methods and recognizes differences, if any, prospectively.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of income.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group/Bank. Major renovations are depreciated over the remaining useful life of the related asset.

k) Investment property

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

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

l) Impairment of non financial assets

At each balance sheet date, the Group/Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group/Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

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

n) Issued debt securities

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

o) Income tax

For 2006 the income tax rate in Lithuania is 19%, including social tax (2005 – 15%). From 2006 social tax came into effect. The social tax will be effective for 2006 and 2007 only and the rates will be 4% and 3%, respectively. The basis for social tax calculation is the same as for income tax. The Group/Bank charges the corporate income tax in accordance with Lithuanian tax regulations.

Deferred income tax is accounted for using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases and for tax loss carry forwards. Deferred tax assets and liabilities are measured using tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Tax losses can be carried forward for a maximum of five years with the exception of the losses incurred because of the sale of securities and derivatives that can be carried forward for three years. Deferred tax assets are recognized in the financial statements only to the extent the recoverability is reasonably certain.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

p) Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavorable, or a derivative or non-derivative contract that will or may be settled in the Group's/Bank's own equity instruments.

A financial liability measured at fair value through profit or loss is an instrument that is either held for trading purposes or is designated at fair value upon initial recognition. Derivatives are categorized as held for trading unless they are designated and effective hedges, or derivative financial guarantee contracts.

Other financial liabilities are initially recognized on the trade date at cost and subsequently measured at amortized cost. Amortized cost is calculated by discounting the remaining future payments by the effective interest rate. Interest expense includes interest payments, on accrual basis of accounting, and relevant amortization cost.

Fair values of those liabilities, are estimated by the management of the Group/Bank as the best estimation of the cash flow projection reflecting the set of economic conditions that will exist over the remaining useful life of those liabilities.

q) Derivative financial instruments

The Group/Bank performs operations with derivative financial instruments. The Group/Bank uses derivative financial instruments for the purpose of currency exchange and interest rate risk management. Derivative financial instruments including foreign exchange contracts, forward rate agreements and other derivative financial instruments are initially recognized in the balance sheet at cost (including transaction costs) and subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. These transactions are accounted for at notional value under off balance sheet items.

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

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

r) Financial instruments with off-balance sheet risk

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

s) Fair value of financial instruments

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

t) Segment reporting

Business segments information is based on three business segments – banking, finance lease and other operations. Geographical segments information is based on five segments – Lithuania, European Union, USA, CIS and other.

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

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

u) Related parties

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

v) Key sources of estimation uncertainty

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

<u>Estimated impairment of goodwill</u>
The Group/Bank tests goodwill for impairment annually. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. As of 31 December 2006 the carrying amount of goodwill was LTL'000 3,981. Goodwill was not impaired as of 31 December 2006.

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

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

w) Risk control policies

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

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

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

Country risk
As of 31 December 2006 the Group has an exposure of LTL'000 332,194 (2005: LTL'000 323,032) in Russia, which consists of building under construction, located in Moscow centre. In addition the Goup/Bank has regular correspondent nostro accounts held with correspondent banks operating in Russia with the total balance of LTL'000 30,150 (2005: LTL'000 62,267) as of 31 December 2006. As of 31 December 2006 these correspondent nostro accounts are fully secured.

Market risk
The Group/Bank is exposed to market risks. Market risks result from open positions from transactions with interest rate, cross-currency and equity products subject to general and specific market changes. To assess the approximate level of market risks associated with the Group's/Bank's positions, and the expected maximum amount of potential losses, the Group/Bank uses internal reports and models for individual types of risks faced by the Group/Bank. The Group/Bank uses a system of limits, the aim of which is to ensure that the level of risks the Group/Bank is exposed to at any time does not exceed the level of risks the Group/Bank is willing and able to take. These limits are monitored on a daily basis.

For risk management purposes, the market risk is regarded as the risk of potential losses the Group/Bank may incur due to unfavorable development in market rates and prices. To manage market risks, the Group/Bank uses a system of limits imposed on individual positions and portfolios.

As to the structure of trades, the Group/Bank primarily faces the Interest rate risk (Note 39).

Operational risk
The Bank has established a Risks Management Committee. The principal objectives of this committee involve implementing such operational risk management that will facilitate the fulfillment of the requirements arising to the Group/Bank under Basel as well as general requirements of the regulator in respect of the Group's/Bank's internal management and control system. This committee is also responsible for business continuity planning and insurance.

Currency risk
The Group/Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

As to the structure of trades, the Group/Bank primarily faces the Currency risk (Note 38).

x) Restatement

The Group/Bank financial statements for the year ended 31 December 2006, in cash and cash equivalents calculation (note 31) does not include compulsory reserves held in the central bank, due to restrictions for cash disbursement. Due to this reason, for the year ended 31 December 2005, cash and cash equivalents including cash flows were restated by LTL 99,133.

Statement of cash flows	**31 December 2005 before restatement**	**Restatement**	**31 December 2005 after restatement**
The Group			
Changes in compulsory reserves held in central bank	46,626	(99,113)	(52,487)
Cash and cash equivalents at the end of period	**495,021**	**(99,113)**	**395,908**
The Bank			
Changes in compulsory reserves held in central bank	46,626	(99,113)	(52,487)
Cash and cash equivalents at the end of period	**495,021**	**(99,113)**	**395,908**

NOTE 4 CASH AND BALANCES WITH CENTRAL BANK

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Cash and balances with central bank		
189,279	99,113	Compulsory reserves	189,279	99,113
25,439	14,500	Cash on hand	25,439	14,500
5	8	Other placement	5	8
214,723	**113,621**	**Total cash and balances with central bank**	**214,723**	**113,621**

The compulsory reserves were held with Bank of Lithuania in the form of non-interest bearing deposits under the Bank of Lithuania's regulations till September 2005. The compulsory reserves held with Bank of Lithuania comprise the funds calculated on a monthly basis as a 6% share of the average balance of deposits of the month. Starting September 2005 1/3 part of required minimum reserves are remunerated by Bank of Lithuania at the average, taken over the maintenance period, of the European Central Bank marginal interest rate for the main refinancing operation.

NOTE 5 LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Loans and advances to banks and other financial institutions		
133,308	154,111	Funds in correspondent accounts	133,308	153,281
650,641	631,225	Deposits:	631,285	613,762
102,485	*226,090*	*Overnight deposits*	*102,485*	*226,090*
546,938	*405,105*	*Term deposits*	*528,788*	*387,672*
1,218	*30*	*Demand deposits*	*12*	-
106,888	60,762	Loans:	515,612	434,476
49,464	*60,762*	*Falling due within one year*	*106,979*	*105,118*
57,424	-	*Falling due after one year*	*408,633*	*329,358*
890,837	**846,098**	**Total**	**1,280,205**	**1,201,519**
-	(3,142)	Provisions for impairment loss of loans and advance to banks and other financial institutions (Note 23)	-	(3,142)
890,837	**842,956**	**Total loans and advances to banks and other financial institutions, net of provisions**	**1,280,205**	**1,198,377**

NOTE 6 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Debt securities held for trading		
158,996	60,948	Companies securities held for trading	158,996	60,948
69,911	37,980	Banks securities held for trading	69,911	37,980
26,025	26,005	Lithuanian government securities held for trading	26,025	26,005
21,640	22,985	Other countries governments securities held for trading	21,640	22,985
276,572	**147,918**	**Total**	**276,572**	**147,918**
75,399	**-**	**Investment funds**	**75,399**	**-**
		Equity securities held for trading		
6,402	9,122	Russian companies	6,402	9,122
4,698	2,372	Lithuanian companies	4,698	2,372
11,100	**11,494**	**Total**	**11,100**	**11,494**
363,071	**159,412**	**Total securities at fair value through profit or loss**	**363,071**	**159,412**

NOTE 7 LOANS AND RECEIVABLES

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Loans and receivables		
518,961	319,729	Falling due after one year	518,961	319,729
221,520	105,859	Falling due within one year	185,415	77,752
106,532	93,993	Factoring	103,733	93,467
44,007	46,202	Reverse repos	44,007	23,193
891,020	**565,783**	**Total loans and receivables**	**852,116**	**514,141**
(52,324)	(11,860)	Provisions for impairment loss of loans and receivables (Note 23)	(50,264)	(10,715)
838,696	**553,923**	**Total loans and receivables, net of provisions**	**801,852**	**503,426**

As of 31 December 2006 the Group's/Bank's "Loans and receivables" balances include accrued interest in the amount of LTL'000 2,824 and LTL'000 2,567 respectively (2005: LTL'000 1,675 and LTL'000 1,322 respectively).

NOTE 8 LOANS AND RECEIVABLES BY INDUSTRIES AND SECTORS

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Loans and receivables by industries and sectors		
149,070	90,475	to real estate, rent and commercial companies	149,070	90,475
117,702	66,625	to manufacturing	114,925	66,099
90,415	20,460	to construction	90,415	20,460
88,858	79,693	to transportation, storage and telecommunications	88,858	79,693
82,590	76,977	to other wholesales	82,590	76,977
64,370	45,773	to oil, gas , electricity and water supply	64,370	45,773
48,342	42,212	to other utilities, social and personal services	48,342	42,212
29,522	11,096	to agriculture, hunting, forestry	29,522	11,096
20,675	11,415	to retail	20,675	11,543
13,228	6,299	to hotels and restaurants	13,228	6,299
8,372	-	to government institutions	8,372	-
7,655	4,677	to wholesale of food products	7,655	4,677
6,304	534	to wholesale of metals	6,304	534
5,374	1,850	to auto repair	5,374	1,850
2,536	-	to education	2,536	-
3,605	1,730	to wholesale of timber products	3,605	1,730
2,881	4,180	to other financial intermediaries	2,881	4,180
1,122	2,959	to fishery and agriculture	1,122	2,959
704	-	to health care and social works	704	-
114	896	to other types of economic activity	114	896
8,141	32,016	to wholesale of metals	8,141	9,007
751,580	**499,867**	**Total loans and receivables by industries and sectors**	**748,803**	**476,460**
136,616	64,241	to natural persons	100,746	36,359
888,196	**564,108**	**Total loans and receivables**	**849,549**	**512,819**
2,824	1,675	Accrued interest	2,567	1,322
(52,324)	(11,860)	Provisions for impairment loss of loans and advances to customers (Note 23)	(50,264)	(10,715)
838,696	**553,923**	**Total loans and receivables, net of provisions**	**801,852**	**503,426**

As of 31 December 2006 and during the year the Bank complied with the maximum loan to one customer requirement established by Bank of Lithuania, according to which the total amount of loans granted to one customer and the customer's related parties may not exceed 25% of the Bank's capital.

NOTE 9 FINANCE LEASE RECEIVABLES

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

Minimum lease receivables 2006	Minimum lease receivables 2005		Present value of minimum lease receivables 2006	Present value of minimum lease receivables 2005
		Amounts receivable under finance leases		
115,925	97,238	Due within one year	103,680	88,006
37,719	18,665	Due within the second to fifth years inclusive	33,322	16,632
153,644	**115,903**	**Total**	**137,002**	**104,638**
(16,642)	(11,265)	Less: unearned finance income	-	-
137,002	**104,638**	**Minimum lease receivables**	**137,002**	**104,638**
23,005	18,394	Add: VAT receivable	23,005	18,394
(3,399)	(1,606)	Provisions for impairment loss of finance lease receivables (Note 23)	(3,399)	(1,606)
156,608	**121,426**	**Finance lease receivables, net of provisions**	**156,608**	**121,426**

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Finance lease by type of assets leased		
48,536	43,738	Computer equipment	-	-
25,104	26,080	Household equipment	-	-
20,564	21,381	Audio and video equipment	-	-
14,331	12,249	Furniture	-	-
5,362	166	Real estate	-	-
4,918	1,575	Vehicles	-	-
1,347	332	Manufacturing equipment	-	-
39,845	17,511	Other assets	-	-
160,007	**123,032**	**Total finance lease receivables by type of assets leased**		-
(3,399)	(1,606)	Provisions for impairment of finance lease receivables (Note 23)	-	-
156,608	**121,426**	**Total finance lease receivables by type of assets leased, net of provisions**	-	-

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

The average maturity term of a lease contract is 20 months.

Finance lease receivables portfolio of UAB Ūkio Banko Lizingas in the amount of LTL'000 25,000 is pledged to AB DnB Nord bankas to secure LTL'000 15,000 repayment of the loan payable.

NOTE 10 INVESTMENT SECURITIES

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Equity investment securities available for sale		
16,527	9,362	UAB Ūkio Banko Investicinė Grupė	14,043	9,362
5,876	-	UAB Asocijuoto Turto Valdymas	5,876	-
3,482	3,323	Balkan Investment Bank A.D.	3,482	3,323
2,001	1,567	GD UAB Bonum Publicum	2,001	1,928
3,245	1,928	UAB FMĮ Finbaltus	3,245	1,567
487	-	Promstroibank OAO	487	-
469	-	IBS Group Holding LTD	469	-
575	81	SWIFT SCRL	575	81
458	-	OAO Sverdlovenergo	458	-
178	-	Foreign government debt securities	-	-
150	-	Other bank's debt securities	-	-
2,460	-	Other companies securities	2,346	-
35,908	**16,261**	**Total equity investment securities available for sale**	**32,982**	**16,261**
		Investment securities held to maturity		
184,921	86,406	Companies debt securities	184,921	86,406
72,496	10,083	Other bank's debt securities	72,496	10,083
4,499	316	Foreign government debt securities	4,499	316
14	1,670	Other companies securities	-	-
261,930	**98,475**	**Total investment securities held to maturity**	**261,916**	**96,805**

NOTE 11 INVESTMENTS IN SUBSIDIARIES

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Investments in subsidiaries		
-	-	UAB "Ūkio Banko Lizingas"	1,000	1,000
-	-	UAB "Turto Valdymo Sistemos"	1,000	1,000
		UAB "Turto Valdymo Sprendimai"	1,000	1,000
-	-	UAB "Turto Valdymo Strategija"	1,000	1,000
-	-	UAB "Ūkio Banko Investicijų Valdymas"	600	-
-	**-**	**Total investments in subsidiaries**	**4,600**	**4,000**

In April 2006 the Bank established 100% subsidiary company UAB Ūkio Banko Investicijų Valdymas registered in Kaunas, Lithuania. The contribution cost was LTL'000 600. The main business activity of the company is managing of investment funds and providing consultations on investing instruments. Since the establishment date and for the year ended 31 December 2006 the company incurred a loss of LTL'000 45.

In February 2006 UAB Ūkio Banko Lizingas established 100% subsidiary company RAB Ūkio Bank Lizing registered in Kiev, Ukraine. The contribution cost was LTL'000 506. The main business activity of the company is finance lease. Since the establishment date and for the year ended 31 December 2006 the company incurred a loss of LTL'000 266.

NOTE 12 INTANGIBLE ASSETS

The Group				The Bank
Software	**Goodwill**	**Total**		**Software**
			Acquisition cost	
3,573	**-**	**3,573**	**As of 31 December 2004**	**3,413**
561	4,315	4,876	additions	531
(111)	-	(111)	disposals, write-offs (-)	(111)
-	385	385	currency exchange differences	-
4,023	**4,700**	**8,723**	**As of 31 December 2005**	**3,833**
844	-	844	additions	786
(140)	-	(140)	disposals, write-offs (-)	(102)
-	(719)	(719)	currency exchange differences	-
4,727	**3,981**	**8,708**	**As of 31 December 2006**	**4,517**
			Amortization	
1,765	**-**	**1,765**	**As of 31 December 2004**	**1,649**
1,025	-	1,025	amortization charge	989
(111)	-	(111)	disposals, write-offs (-)	(111)
2,679	**-**	**2,679**	**As of 31 December 2005**	**2,527**
881	-	881	amortization charge	864
(132)	-	(132)	disposals, write-offs (-)	(94)
3,428	**-**	**3,428**	**As of 31 December 2006**	**3,297**
			Carrying amount	
1,344	**4,700**	**6,044**	**As of 31 December 2005**	**1,306**
1,299	**3,981**	**5,280**	**As of 31 December 2006**	**1,220**

The carrying value of the computer software acquired by the Bank under finance lease agreements as of 31 December 2006 amounted to LTL'000 444 (2005: LTL'000 691).

NOTE 13 TANGIBLE FIXED ASSETS

The Group	Buildings and other real estate	Vehicles	Office equipment	Construction in progress	Total
Historical cost \ revalued amount					
As of 31 December 2004	**24,668**	**4,017**	**11,762**	**177,159**	**217,606**
additions	-	1,656	3,876	8,651	14,183
taken over from Russkij Karavaj subsidiary	-	-	-	53,807	53,807
changes in fair value	-	-	-	86,192	86,192
disposals, write-offs	(16,127)	(527)	(966)	(36,361)	(53,981)
elimination of accumulated depreciation of investment property at fair value	(712)	-	-	-	(712)
currency exchange differences	-	-	-	33,584	33,584
As of 31 December 2005	**7,829**	**5,146**	**14,672**	**323,032**	**350,679**
additions	235	2,992	3,847	15,518	22,592
changes in fair value	-	-	-	17,536	17,536
disposals, write-offs	-	(1,117)	(1,511)	-	(2,628)
currency exchange differences	-	-	-	(23,892)	(23,892)
As of 31 December 2006	**8,064**	**7,021**	**17,008**	**332,194**	**364,287**
Depreciation					
As of 31 December 2004	**2,072**	**2,270**	**6,176**	**-**	**10,518**
depreciation charge	140	561	1,771	-	2,472
disposals, write-offs (-)	(177)	(278)	(890)	-	(1,345)
elimination of accumulated depreciation of investment property at fair value	(712)	-	-	-	(712)
As of 31 December 2005	**1,323**	**2,553**	**7,057**	**-**	**10,933**
Depreciation charge	135	800	2,156	-	3,091
disposals, write-offs (-)	-	(858)	(1,416)	-	(2,274)
As of 31 December 2006	**1,458**	**2,495**	**7,797**	**-**	**11,750**
Carrying amount					
As of 31 December 2005	**6,506**	**2,593**	**7,615**	**323,032**	**339,746**
As of 31 December 2006	**6,606**	**4,526**	**9,211**	**332,194**	**352,537**

As of 31 December 2006 construction in progress in the amount of LTL'000 332,194 (2005: LTL'000 323,032) represents building under construction located in Moscow, Russia.

Building, owned by UAB Ūkio Banko Lizingas (100% owned subsidiary of the Bank), with carrying amount of LTL'000 7,330 as of 31 December 2006 (2005: LTL'000 7,330) is pledged to UAB Bonum Publicum for the securitization of LTL'000 2,640 loan payable to UAB Bonum Publicum.

The Bank	**Buildings and other real estate**	**Vehicles**	**Office equipment**	**Total**
Historical cost amount				
As of 31 December 2004	**7,829**	**2,533**	**10,670**	**21,032**
additions	-	1,326	3,423	4,749
disposals, write-offs (-)	-	(305)	(945)	(1,250)
As of 31 December 2005	**7,829**	**3,554**	**13,148**	**24,531**
additions	235	2,890	3,665	6,790
disposals, write-offs (-)	-	(857)	(1,429)	(2,286)
As of 31 December 2006	**8,064**	**5,587**	**15,384**	**29,035**
Depreciation				
As of 31 December 2004	**1,180**	**1,053**	**5,485**	**7,718**
depreciation charge	139	390	1,563	2,092
disposals, write-offs (-)	-	(276)	(891)	(1,167
As of 31 December 2005	**1,319**	**1,167**	**6,157**	**8,643**
depreciation charge	135	702	1,965	2,802
disposals, write-offs (-)	-	(594)	(1,348)	(1,942)
As of 31 December 2006	**1,454**	**1,275**	**6,774**	**9,503**
Carrying amount				
As of 31 December 2005	**6,510**	**2,387**	**6,991**	**15,888**
As of 31 December 2006	**6,610**	**4,312**	**8,610**	**19,532**

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

The carrying value of the vehicles and office equipment acquired by the Bank under finance lease agreements at 31 December 2006 was LTL'000 127 (2005: LTL'000 320) and LTL'000 523 (2005: LTL'000 805), respectively.

Investment property

The Group		**The Bank**
20,520	**Investment property fair value as of 31 December 2004**	**7,916**
1,767	Investment property additions	1,767
(10,986)	Sales, write off (disposal) of investment property (-)	-
7,512	Gain arising on change in the fair value	1,800
18,813	**Investment property fair value as of 31 December 2005**	**11,483**
-	Investment property additions	-
-	Investment property disposals	-
18,813	**Investment property fair value as of 31 December 2006**	**11,483**

The investment property fair values were revalued as of 31 December 2006 by independent assets appraisers V. Černius appraisers company. The fair value of buildings was determined under the market value basis.

NOTE 14 OTHER ASSETS

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Other assets		
16,090	27,550	prepayments	322	25,113
13,750	4,277	claims on derivative financial instruments	13,750	4,277
11,414	7,869	deferred expenses	9,316	6,102
10,036	8,639	VAT receivable in Russia	-	-
4,695	6,439	accounts receivable	4,695	6,439
2,131	1,227	transit accounts	1,770	712
837	3,814	receivables on Spot transactions	837	3,814
29	86	foreclosed assets	29	86
-	8,153	receivable for sold debt	-	-
-	14,551	advance payment to investment fund	-	14,551
9,106	6,650	other receivables	4,619	1,106
68,088	**89,255**	**Total other assets**	**35,338**	**62,200**
(4,013)	(7,205)	Provisions for impairment loss of other assets (Note 23)	(1,701)	(4,932)
64,075	**82,050**	**Total other assets, net of provisions**	**33,637**	**57,268**

NOTE 15 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Due to banks and other financial institutions		
31,855	19,961	Due to correspondent banks	31,855	19,977
325,738	390,673	Deposits	350,703	390,733
52,468	*109,982*	*including collateralized deposits for the loans granted*	*52,468*	*109,982*
231,898	138,859	Loans:	199,041	106,761
84,594	**-**	*Falling due within one year*	*84,594*	-
147,304	*138,859*	*Falling due after one year*	*114,447*	*106,761*
589,491	**549,493**	**Total**	**581,599**	**517,471**
1,603	1,219	Accrued interest	1,518	1,138
(1,570)	-	Commissions paid	(1,570)	-
589,524	**550,712**	**Total due to banks and other financial institutions**	**581,547**	**518,609**

Finance lease receivables portfolio of UAB Ūkio Banko Lizingas in the amount of LTL'000 25,000 is pledged to AB DnB Nord bankas for the securitization of LTL'000 15,000 repayment of the loan.

Building, owned by UAB Ūkio Banko Lizingas (100% owned subsidiary of the Bank), with carrying amount of LTL'000 7,330 as of 31 December 2006 (2005: LTL'000 7,330) is pledged to UAB Bonum Publicum for the securitization of LTL'000 2,640 repayment of the loan.

NOTE 16 DUE TO CUSTOMERS

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Due to customers		
707,914	536,196	Current and demand deposits	707,914	536,196
1,398,202	933,295	Term deposits, letters of credit	1,398,202	933,295
2,106,116	**1,469,491**	**Total due to customers**	**2,106,116**	**1,469,491**

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Current and demand deposits		
593,529	454,107	Companies	593,529	454,107
114,385	82,089	Individuals	114,385	82,089
707,914	**536,196**		**707,914**	**536,196**
		Term deposits letters of credit		
452,461	271,493	Companies	452,461	271,493
932,861	654,599	Individuals	932,861	654,599
1,385,322	**926,092**		**1,385,322**	**926,092**
12,880	7,203	Accrued interest	12,880	7,203
2,106,116	**1,469,491**	**Total due to customers**	**2,106,116**	**1,469,491**

NOTE 17 SUBORDINATED LOANS

As of 31 December 2006 the Bank had two subordinated loans (denominated in USD) amounting to LTL'000 7,891 (2005: LTL'000 8,730). The balance includes accrued interest of LTL'000 672 (2005: LTL'000 327).

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

On 1 July 2004 the Bank received its first subordinated loan in the amount of USD'000 1,500. The annual interest rate was 12 month USD LIBOR, which as of 31 December 2006 was 5,67813%. The loan and accrued interest should be repaid till 1 July 2009 or be converted to newly issued shares.

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

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

NOTE 18 OTHER LIABILITIES

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Other liabilities		
18,112	17,361	Trade payables for goods suppliers	-	-
11,771	8,980	Compulsory social security funds	9,567	8,770
11,240	4,750	Income tax payable	11,240	4,750
4,679	2,861	Prepayments from customers for finance leases		-
3,883	5	Provisions for off-balance sheet	3,883	5
3,523	2,006	Accrued income and deferred expenses	503	93
2,949	2,805	Suspense accounts	2,949	2,805
2,678	1,996	Prepayments for Spot transactions	2,554	1,420
2,667	2,393	Payroll and social security payable and vacation reserve	2,667	2,393
930	647	Accrued deposit insurance expenses	930	647
372	3,570	Liabilities from derivative financial instruments	372	3,570
57	98	Finance lease payable	1,052	1,727
6,797	6,711	Other liabilities	4,833	5,950
69,658	**54,183**	**Total other liabilities**	**40,550**	**32,130**

NOTE 19 SHARE CAPITAL

On 23 December 2005 the shareholders of the Bank decided to change the par value of the Bank's ordinary shares from LTL 12 to LTL 1 for each share. New bylaws of the Bank were registered in Company's register on 6 February 2006. The authorized capital of the Bank was LTL'000 126,708 and consisted of 126,708,000 ordinary shares with par value of LTL 1 each. On 30 June 2006 new bylaws of the Bank was registered with increased share capital.

The authorized capital of the Bank as of 31 December 2006 was LTL'000 176,708 and consisted of 176,708,000 ordinary shares with par value of LTL 1 each. All shares are fully paid.

At the shareholders meeting on 24 March 2006, dividends in respect of 2005 of LTL 0.01 per share amounting to total of LTL'000 1,267 were proposed.

At the shareholders meeting on 24 March 2005, dividends in respect of 2004 of LTL 0.12 per share amounting to total of LTL'000 1,067 were proposed.

Considering the changes of share par value and corresponding change in number of shares the Group's /Bank's basic earnings per share for the year ended 31 December 2006 would be LTL 0.31 and LTL 0.31 (2005: LTL 0.19 and LTL 0.17) respectively, and diluted earnings per share would be LTL 0.30 and LTL 0.31 (2005: LTL 0.18 and LTL 0.17), respectively (Note 30).

NOTE 20 INTEREST INCOME AND EXPENSE

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Interest income		
48,115	24,988	on loans to banks and other financial institutions	56,218	29,690
45,397	26,984	on other loans	39,928	26,938
25,860	20,209	on finance lease	-	-
12,510	2,460	on debt securities acquired	12,503	2,460
1,229	198	on deposits in central bank	1,229	198
-	12	other	-	12
133,111	**74,851**	**Total interest income**	**109,878**	**59,298**

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Interest expense		
40,842	22,958	on deposits due to customers	40,842	22,958
13,626	11,865	on liabilities to banks and other financial institutions	12,031	10,276
393	263	on subordinated loans	393	263
239	41	on debt securities issued	239	41
-	76	on funds of central bank	-	76
55,100	**35,203**	**Total interest expense**	**53,505**	**33,614**

NOTE 21 FEES AND COMMISSION INCOME AND EXPENSE

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Fees and commission income		
79,842	37,247	for money transfer operations	79,964	37,378
4,895	4,615	for credit services	6,202	4,615
3,457	2,023	for intermediation services	3,457	3,610
3,406	1,157	for bank accounts‘ services	3,406	1,157
3,218	1,619	for collection of taxes	3,218	1,619
2,779	4,071	for payment card services	2,870	1,607
1,182	951	for EUR currency exchange	1,182	951
3,363	4,824	other	3,901	4,696
102,142	**56,507**	**Total fees and commission income**	**104,200**	**55,633**

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Fees and commission expenses		
18,328	13,446	for money transfer operations	17,785	13,078
1,906	1,667	for payment card services	1,926	1,610
927	1,101	for intermediation services	927	1,105
524	418	other	595	418
21,685	**16,632**	**Total fees and commission expenses**	**21,233**	**16,211**

NOTE 22 NET TRADING INCOME

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Net profit from operations with foreign currency		
28,160	6,236	realized profit	28,208	6,246
(171)	5,073	unrealized (loss) profit	(5,252)	5,147
27,989	**11,309**		**22,956**	**11,393**
		Net profit (loss) from operations with trading securities		
3,510	3,957	realized profit	3,510	3,957
2,732	(368)	unrealized profit (loss)	2,732	(368)
6,242	**3,589**		**6,242**	**3,589**
		Net profit from operations with investment securities		
602	236	realized profit	598	4,224
602	**236**		**598**	**4,224**
		Net profit (loss) from operations with derivatives and other financial instruments		
(6,255)	114	realized (loss) profit	769	114
3,021	(1,514)	unrealized profit (loss)	3,021	(1,514)
(3,234)	**(1,400)**		**3,790**	**(1,400)**

NOTE 23 IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES

Movements in the provision for impairment losses on loans and advances to banks and other financial institutions, for loans and receivables and other assets for the period is as follows:

The Group	**Loans and advances to banks and other financial institutions**	**Loans and receivables**	**Finance lease receivable**	**Other assets**	**Provisions for off balance sheet items**	**Total**
As of 31 December 2004	**256**	**4,661**	**1,304**	**596**	**-**	**6,817**
Reversal of provisions	(3,806)	(15,599)	-	(1,501)		(20,906)
Provisions written off	(2)	(890)	(589)	-	-	(1,481)
Currency exchange rate effect	5	356	-	17	(1)	377
Provision charged	6,689	23,332	891	8,093	6	39,011
As of 31 December 2005	**3,142**	**11,860**	**1,606**	**7,205**	**5**	**23,818**
Reversal of provisions	(19,944)	(37,089)	-	(13,721)	(811)	(71,565)
Provisions written off	-	(1,506)	(1,153)	(24)	-	(2,683)
Currency exchange rate effect	(68)	(980)	-	(7)	(7)	(1,062)
Provision charged	16,870	80,039	2,946	10,560	4,696	115,111
As of 31 December 2006	**-**	**52,324**	**3,399**	**4,013**	**3,883**	**63,619**

The Bank	Loans and advances to banks and other financial institutions	Loans and receivables	Other assets	Provisions for off balance sheet items	Total
31 December 2004	**256**	**4,661**	**596**	**-**	**5,513**
Reversal of provisions	(3,806)	(15,599)	(1,501)		(20,906)
Provisions written off	(2)	(890)	-	-	(892)
Currency exchange rate effect	5	356	32	(1)	392
Provision charged	6,689	22,187	5,805	6	34,687
31 December 2005	**3,142**	**10,715**	**4,932**	**5**	**18,794**
Reversal of provisions	(19,944)	(37,089)	(13,725)	(811)	(71,569)
Provisions written off	-	(1,255)	(24)	-	(1,279)
Currency exchange rate effect	(68)	(755)	(42)	(7)	(872)
Provision charged	16,870	78,648	10,560	4,696	110,774
31 December 2006	**-**	**50,264**	**1,701**	**3,883**	**55,848**

NOTE 24 OTHER OPERATING INCOME

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Other operating income		
759	823	Rent income	334	402
85	203	Gain on sale of fixed assets	22	160
27	1,081	Fines and penalties received	27	25
-	7,512	Changes in fair value of investment property	-	1,800
2,428	2,115	Other income	2,409	2,811
3,299	**11,734**	**Total other operating income**	**2,792**	**5,198**

NOTE 25 OPERATING EXPENSES

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Operating expenses		
31,369	19,042	Staff expenses (note 26)	26,962	16,846
8,085	7,234	Rent of premises and household expenses	7,574	6,719
6,069	4,206	Advertising and marketing expenses	3,068	1,808
3,972	3,497	Depreciation and amortization (notes 12, 13)	3,666	3,081
2,740	2,195	Transport, post and communication service expenses	2,121	1,628
1,813	1,236	Training and business trip expenses	1,345	942
40,477	26,477	Other expenses (note 27)	35,334	21,495
94,525	**63,887**	**Total operating expenses**	**80,070**	**52,519**

NOTE 26 STAFF EXPENSES

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Staff expenses		
18,274	12,981	Salaries	15,113	11,396
6,974	4,501	Social security	6,027	3,962
6,121	1,560	Other expenses related with salaries	5,822	1,488
31,369	**19,042**	**Total staff expenses**	**26,962**	**16,846**

NOTE 27 OTHER EXPENSES

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Other expenses		
12,327	5,765	Charity	11,441	5,029
8,816	5,054	Deposit insurance expenses	8,816	5,054
3,074	1,570	Taxes	3,040	1,483
1,931	1,280	Maintenance of office equipment	1,525	935
738	488	Other services	726	488
631	517	Custodial expenses	631	483
275	402	Rent	275	231
154	96	Maintenance of foreclosed and leased assets	147	3
7	1,427	Fines and penalties paid	7	1,428
12,524	9,878	Other expenses	8,726	6,361
40,477	**26,477**	**Total other expenses**	**35,334**	**21,495**

NOTE 28 INCOME TAX EXPENSE

As of 31 December income tax expense was composed as follows:

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Income tax		
12,615	3,486	Current income tax	10,046	3,124
(8,266)	5,544	Prior year income tax corrections	(8,187)	5,544
7,743	(5,164)	Deferred tax (note 29)	7,463	(6,021)
12,092	**3,866**	**Total income tax**	**9,342**	**2,647**

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

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
55,577	**23,498**	**Profit before tax**	**56,725**	**22,309**
10,560	3,525	Tax calculated at a tax rate of 2006-19% (2005 – 15%)	10,778	3,346
(9,178)	(4,251)	Tax effect of income not subject to tax	(7,371)	(2,765)
(8,266)	5,544	Prior year income tax corrections	(8,167)	5,544
12,589	5,629	Tax effect of expenses not deductible in determining taxable profit	6,546	2,543
(133)	(1,539)	Increase in deferred tax resulting from change in tax rate (2007- 18%; 2006 – 19%)	(104)	(1,378)
6,520	(5,042)	Changes in deferred tax asset	7,660	(4,643)
12,092	**3,866**	**Income tax expense**	**9,342**	**2,647**
21.76 %	16.45 %	Effective tax rate	15.47 %	11.87 %

NOTE 29 DEFERRED INCOME TAX

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Deferred income tax		
29,886	215	At the beginning of the year	(5,685)	215
5,958	36,252	Current year changes in deferred tax liabilities	1,978	731
6,646	(7,311)	Current year changes in deferred tax assets	7,115	(7,156)
(126)	730	Changes in valuation allowance	(545)	525
42,364	**29,886**	**Net position**	**2,863**	**(5,685)**

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

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Deferred income tax liabilities		
1,267	1,339	Revaluation of investment property	382	482
428	165	Other liabilities	193	132
38,257	34,631	Revaluation of fixed assets	-	-
2,477	336	Revaluation of securities available for sale	2,353	336
42,429	**36,471**		**2,928**	**950**
		Deferred income tax assets		
(128)	(105)	Accrued expenses	(65)	(105)
(805)	(399)	Provisions	-	-
-	(7,075)	Tax loss carried forward	-	(7,075)
(933)	**(7,579)**		**(65)**	**(7,180)**
868	994	Valuation allowances	-	545
42,364	**35,907**	**Total liabilities**	**2,863**	**336**
-	**(6,021)**	**Total assets**	**-**	**(6,021)**

The movement for the year ended 31 December 2006 in the Bank and the Group's net deferred tax (assets) / liability position was as follows:

	The Group 2006	The Bank 2006
At 1 January 2006	**29,886**	**(5,585)**
Charge to income for the year (note 28)	7,743	7,463
Revaluation of construction in progress charged directly to equity	4,735	985
At 31 December 2006	**42,364**	**2,863**

NOTE 30 EARNINGS PER SHARE

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Basic earnings per share calculation		
46,711	20,248	Profit attributable to equity holders of the Parent	47,383	19,662
152,050	108,681	Weighted average number of ordinary shares in issue (thousands units)	152,050	108,681
0.31	**0.19**	**Basic earnings per share (in LTL)**	**0.31**	**0.18**

The Group 2006	The Group 2005		The Bank 2006	The Bank 2005
		Diluted earnings per share calculation		
46,711	20,248	Profit attributable to equity holders of the Parent	47,383	19,662
318	223	Interest expense of subordinated loans (net of tax)	318	223
47,029	20,471	Net profit used to determine diluted earning per share	47,701	19,885
152,050	108,681	Weighted average number of ordinary shares in issue (thousands units)	152,050	108,681
3,474	5,112	Adjustment for assumed conversation of subordinated loans (thousands units)	3,474	5,112
155,524	113,793		155,524	113,793
0.30	**0.18**	**Diluted earnings per share (in LTL)**	**0.31**	**0.17**

NOTE 31 CASH AND CASH EQUIVALENTS

The Group 2006	The Group Restated (Note 3) 2005		The Bank 2006	The Bank Restated (Note 3) 2005
25,444	14,508	Cash and other valuables (note 4)	25,444	14,508
237,011	380,231	Demand deposits in other banks and financial institutions up to 3 months	235,793	379,371
28,423	-	Correspondent account with Bank of Lithuania	28,423	-
20,121	1,169	Short-term realizable debt securities up to 3 months	20,121	1,169
310,999	**395,908**	**Cash and cash equivalents at the end of the period**	**309,781**	**395,048**

NOTE 32 CAPITAL ADEQUACY

The capital adequacy ratio set by Bank of Lithuania is to be at least 8 percent of the Group's and the Bank's capital.

The capital adequacy ratio on 31 December 2006 is presented in the tables below:

The Group

Balance sheet assets items (net value)	Book value	Risk weight, %	Risk weighted assets
	A	B	C=A*B
Group 1	**262,967**	-	-
Cash and balances with central bank	210,837		
Securities of the Republic of Lithuania Government and A zone central banks	309		
Loans secured by deposit pledged	51,821		
Group 2	**729,893**	**20**	**145,979**
Loans to Zone A banks and securities of these banks	539,420		
Loans to the banks of the Republic of Lithuania	186,587		
Collected, but not recalculated monetary receipts	3,886		
Group 3	**44,565**	**50**	**22,283**
Loans granted to local municipalities	8,816		
Mortgage loans	24,335		
Accrued income and deferred expenses	11,414		
Group 4	**1,749,673**	**100**	**1,749,673**
Loans to Zone B and C central banks	134,629		
Pledged deposits with banks and other credit or financial institutions	-		
Other loans	860,612		
Securities not specified in previous items	184,934		
Fixed assets (with the exception of intangible assets) *	371,350		
Other assets	198,148		
Total	**2,787,098**		**1,917,935**
Off-balance sheet items	179,178		52,925
Total banking book	**2,966,276**		**1,970,860**
Trading book			
Balance accounts	410,100		
Off-balance accounts	381,147		
Total trading book	**791,247**		**343,590**
Capital Base			**308,622**
Total risk weighted assets and off-balance sheet items			2,314,450
Capital adequacy ratio, %			**13.33**

* Including investment property.

The Bank

Balance sheet assets items (net value)	Book value	Risk weight, %	Risk weighted assets
	A	B	C=A*B
Group 1	**262,967**	**-**	-
Cash and balances with central bank	210,837		
Securities of the Republic of Lithuania Government and A zone central banks	309		
Loans secured by deposit pledged	51,821		
Group 2	**729,727**	**20**	**145,945**
Loans to Zone A banks and securities of these banks	539,420		
Loans to the banks of the Republic of Lithuania	186,421		
Collected, but not recalculated monetary receipts	3,886		
Group 3	**42,467**	**50**	**21,234**
Loans granted to local municipalities	8,816		
Mortgage loans	24,335		
Accrued income and deferred expenses	9,316		
Group 4	**1,577,526**	**100**	**1,577,526**
Loans to Zone B and C central banks	115,439		
Pledged deposits with banks and other credit or financial institutions	-		
Other loans	1,232,492		
Securities not specified in previous items	185,380		
Fixed assets (with the exception of intangible assets) *	31,015		
Other assets	13,200		
Total	**2,612,687**		**1,744,705**
Off-balance sheet items	169,462		53,666
Total banking book	**2,782,149**		**1,798,371**
Trading book			
Balance accounts	407,174		
Off-balance accounts	381,147		
Total trading book	**788,321**		**354,200**
Capital Base			**236,785**
Total risk weighted assets and off-balance sheet items			2,152,571
Capital adequacy ratio, %			**11.00**

* Including investment property.

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

The Group

Balance sheet assets items (net value)	**Book value**	**Risk weight, %**	**Risk weighted assets**
	A	B	C=A*B
Group 1	**218,711**	**-**	-
Cash and balances with central bank	111,842		
Loans secured by deposit pledged	106,869		
Group 2	**664,516**	**20**	**132,903**
Loans to Zone A banks and securities of these banks	607,297		
Loans to the banks of the Republic of Lithuania	55,440		
Collected, but not recalculated monetary receipts	1,779		
Group 3	**20,901**	**50**	**10,451**
Loans granted to local municipalities	-		
Mortgage loans	13,245		
Accrued income and deferred expenses	7,656		
Group 4	**1,270,999**	**100**	**1,270,999**
Loans to Zone B and C central banks	113,252		
Pledged deposits with banks and other credit or financial institutions	11,900		
Other loans	494,571		
Securities not specified in previous items	92,780		
Fixed assets (with the exception of intangible assets) *	358,559		
Other assets	199,937		
Total	**2,175,127**		**1,414,353**
Off-balance sheet items	138,335		47,574
Total banking book	**2,313,462**		**1,461,927**
Total trading book			
Balance accounts	177,577		
Off-balance accounts	100,710		
Total trading book	**278,287**		**150,738**
Capital Base			**207,778**
Total risk weighted assets and off-balance sheet items			1,612,665
Capital adequacy ratio, %			**12.88**

* Including investment property.

The Bank

Balance sheet assets items (net value)	Book value	Risk weight, %	Risk weighted assets
	A	B	C=A*B
Group 1	**218,711**	**-**	-
Cash and balances with central bank	111,842		
Loans secured by deposit pledged	106,869		
Group 2	**664,470**	**20**	**132,894**
Loans to Zone A banks and securities of these banks	607,297		
Loans to the banks of the Republic of Lithuania	55,394		
Collected, but not recalculated monetary receipts	1,779		
Group 3	**19,212**	**50**	**9,606**
Loans granted to local municipalities	-		
Mortgage loans	13,245		
Accrued income and deferred expenses	5,967		
Group 4	**1,098,992**	**100**	**1,098,992**
Loans to Zone B and C central banks	95,005		
Pledged deposits with banks and other credit or financial institutions	11,900		
Other loans	817,788		
Securities not specified in previous items	91,510		
Fixed assets (with the exception of intangible assets) *	27,371		
Other assets	55,418		
Total	**2,001,385**		**1,241,492**
Off-balance sheet items	142,664		51,837
Total banking book	**2,144,049**		**1,293,329**
Total trading book			
Balance accounts	100,710		
Off-balance accounts	177,577		
Total trading book	**278,287**		**138,375**
Capital Base			**150,591**
Total risk weighted assets and off-balance sheet items			1,431,704
Capital adequacy ratio, %			**10.52**

* Including investment property.

NOTE 33 LIQUIDITY

As of 31 December 2006 the Group's assets and liabilities by remaining period of maturity were as follows:

	Up to 1 month	1–3 month	3–12 months	1–5 years	5 years and up	Unlimited period	Total
Assets							
Cash	25,444	-	-	-	-	-	25,444
Funds with central banks	189,279	-	-	-	-	-	189,279
Loans and advances to banks and other financial institutions	713,135	93,015	27,260	57,427	-	-	890,837
Loans and advances to customers	76,357	109,408	236,150	356,346	48,282	12,153	838,696
Finance lease receivables	19,939	24,502	73,072	38,535	-	560	156,608
Debt securities	4,217	26,065	66,581	362,401	79,599	-	538,863
Equity securities	-	-	-	-	-	122,046	122,046
Fixed assets *	-	-	-	-	-	376,630	376,630
Other assets	20,340	1,078	3,273	7,340	1,467	30,577	64,075
Total assets	**1,048,711**	**254,068**	**406,336**	**822,049**	**129,348**	**541,966**	**3,202,478**
Liabilities							
Deposits from banks and other financial institutions	294,161	43,877	114,003	137,483	-	-	589,524
Due to customers	1,151,186	194,229	643,862	116,222	617	-	2,106,116
Other liabilities	67,643	2,092	3,652	8,941	-	38,257	120,585
Total liabilities	**1,512,990**	**240,198**	**761,517**	**262,646**	**617**	**38,257**	**2,816,225**
Net position	**(464,279)**	**13,870**	**(355,181)**	**559,403**	**128,731**	**503,709**	**386,253**

** Including investment property.*

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

Total assets	966,224	115,927	305,614	455,224	77,191	438,568	**2,358,748**
Total liabilities	1,157,581	177,855	550,793	201,299	775	35,907	**2,124,210**
Net position	**(191,357)**	**(61,928)**	**(245,179)**	**253,925**	**76,416**	**402,661**	**234,538**

As of 31 December 2006 the Bank's assets and liabilities by remaining period of maturity were as follows:

	Up to 1 month	1–3 month	3–12 months	1–5 years	5 years and up	Unlimited period	Total
Assets							
Cash	25,444	-	-	-	-	-	25,444
Funds with central banks	189,279	-	-	-	-	-	189,279
Loans and advances to banks and other financial institutions	711,929	93,015	280,269	194,944	-	48	1,280,205
Loans and advances to customers	73,112	105,449	224,205	344,570	48,282	6,234	801,852
Finance lease receivables	-	-	-	-	-	-	-
Debt securities	4,217	26,065	66,308	362,299	79,599	-	538,488
Equity securities	-	-	-	-	-	124,081	124,081
Fixed assets *	-	-	-	-	-	32,235	32,235
Other assets	18,877	716	2,134	6,351	1,066	4,493	33,637
Total assets	**1,022,858**	**225,245**	**572,916**	**908,164**	**128,947**	**167,091**	**3,025,221**
Liabilities							
Deposits from banks and other financial institutions	312,826	38,877	107,363	122,481	-	-	581,547
Due to customers	1,151,186	194,229	643,862	116,222	617	-	2,106,116
Other liabilities	41,203	1,344	552	8,877	-	-	51,976
Total liabilities	**1,505,215**	**234,450**	**751,777**	**247,580**	**617**	**-**	**2,739,639**
Net position	**(482,357)**	**(9,205)**	**(178,861)**	**660,584**	**128,330**	**167,091**	**285,582**

** Including investment property.*

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

Total assets	930,213	315,199	230,716	524,816	77,191	105,733	**2,183,868**
Total liabilities	1,131,078	172,248	530,899	199,483	775	-	**2,034,483**
Net position	**(200,865)**	**142,951**	**(300,183)**	**325,333**	**76,416**	**105,733**	**149,385**

NOTE 34 RELATED PARTY TRANSACTIONS

The Group	Members of the Board	Members of the Council	Shareholders	Other related parties
2006				
Loans, finance lease	1,349	2,409	-	480
Average interest rate, %	3.77	3.76	-	4
Income	18	41	-	18
Deposits	344	158	5	299
Average interest rate, %	1.57	0.42	-	2.46
Expenses	9	1	-	14
2005				
Loans, finance lease	607	774	-	13,390
Average interest rate, %	3.7	3.89	-	4.71
Income	7	12	2	872
Deposits	127	141	17	501
Average interest rate, %	0.77	2.91	-	4.19
Expenses	-	-	-	2

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

The Bank	Members of the Board	Members of the Council	Shareholders	Other related parties
2006				
Loans, finance lease	1,080	2,111	-	1,047
Average interest rate, %	3.78	3.77	-	3.84
Income	16	25	-	36
Deposits	329	119	5	353
Average interest rate, %	1.57	0.19	-	2.27
Expenses	8	1	-	15
2005				
Loans, finance lease	607	774	-	13,390
Average interest rate, %	3.7	3.89	-	4.71
Income	7	12	2	872
Deposits	127	141	17	501
Average interest rate, %	0.77	2.91	-	4.19
Expenses	-	-	-	2

For the year ended 31 December 2006 the Bank's management payroll and related taxes expenses amounted to LTL'000 2,551 (2005: LTL'000 1,487).

As of 31 December 2006 and for the year then ended Bank's related party transactions were as follows:

Related parties	Bank's payables	Bank's receivables	Income received	Expenses
UAB Ūkio Banko Lizingas	1,255	133,572	8,418	129
UAB Turto Valdymo Sistemos	872	83,341	815	-
UAB Turto Valdymo Strategija	23,373	11,690	1,213	-
UAB Turto Valdymo Sprendimai	11	76,128	441	-
UAB Ūkio Banko Investicijų Valdymas	130	-	-	2
RAB Ūkio Bank Lizing	-	3,994	53	-
OAO Russkiy Karavay	-	-	179	-

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

NOTE 35 CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

The Group		Claims and liabilities	The Bank	
2006	2005		2006	2005
34,031	13,903	Guarantees and warranties	34,031	14,053
5,662	10,417	Commitments to issue letters of credit	5,662	10,417
143,270	113,922	Irrevocable lending commitments	133,359	117,731
431,251	1,938,658	Spot liabilities	431,251	2,026,917
431,030	1,938,945	Spot claims	431,030	2,027,005
98	98	Other off balance commitments	293	468

As of 31 December 2006 UAB Ūkio Banko Lizingas has finance lease contracts in the amount LTL'000 2,336 signed, but not yet executed (31 December 2005: LTL'000 2,574).

Finance lease – as of 31 December 2006 the Bank has outstanding finance lease obligations under finance lease contracts in the amount of LTL'000 1,247 (31 December 2005: LTL'000 2,097). Minimum finance lease payment obligations are recorded on the balance sheet under liabilities. The Bank's obligations under finance leases are secured by the lessor's right to the leased assets. The Bank's finance lease obligations relate to lease contracts signed with the Bank's wholly owned subsidiary UAB Ūkio Banko Lizingas.

Operating leases – The Bank rents offices, other premises and land for banking activities. The Bank has outstanding non-cancelable commitments in connection with the rental agreements as of 31 December 2006 amounting to LTL'000 24,524 (31 December 2005: LTL'000 22,998).

As of 31 December 2006 the future annual minimum commitments under leases were following:

For the year ending 31 December	2006 Finance lease	2006 Operating lease	2005 Finance lease	2005 Operating lease
2006	-	-	910	4,120
2007	832	4,984	904	3,424
2008	419	3,903	427	3,336
2009	90	3,514	91	3,319
2010	-	3,092	-	3,179
Thereafter	-	9,031	-	5,620
Minimum lease payments	**1,341**	**24,524**	**2,332**	**22,998**
Less: interest	(94)		(235)	
Present value of minimum lease payments	**1,247**		**2,097**	

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

Litigation and claims – As of 31 December 2006 and 2005 the Group/Bank was not involved in any legal proceedings except for those related to loan loss recovery.

NOTE 36 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group			
	2006			
Derivative financial instruments	**Foreign exchange purchase/ sale agreements**	**Interest rate agreements**	**Related to equity**	**Other**
Claims	**241,650**	**-**	**-**	**-**
Forward	178,180	-	-	-
Swaps	62,986	-	-	-
Put options	265	-	-	-
Call options	219	-	-	-
Liabilities	**241,346**	**202,581**	**-**	**-**
Forward	177,767	-	-	-
Swaps	63,107	-	-	-
Put options	259	-	-	-
Call options	213	-	-	-
Futures	-	202,581	-	-

	The Bank			
	2006			
Derivative financial instruments	**Foreign exchange purchase/ sale agreements**	**Interest rate agreements**	**Related to equity**	**Other**
Claims	**241,650**	**-**	**-**	**-**
Forward	178,180	-	-	-
Swaps	62,986	-	-	-
Put options	265	-	-	-
Call options	219	-	-	-
Liabilities	**241,346**	**202,581**	**-**	**-**
Forward	177,767	-	-	-
Swaps	63,107	-	-	-
Put options	259	-	-	-
Call options	213	-	-	-
Futures	-	202,581	-	-

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

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

NOTE 37 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value estimates presented herein are based on pertinent information available to the Group as of 31 December 2006 and 2005. The Group are not aware of any factors that could have a material impact on the amounts of these fair values.

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities that as of 31 December 2006 and 2005 had not been presented in the Group's balance sheet statements at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

	2006		**2005**	
	The Group		**The Group**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial Assets:				
Loans and advances to banks and other financial institutions	890,837	893,298	842,956	844,475
Loans and receivables	838,546	855,823	553,923	561,954
Finance lease receivables	156,608	164,366	121,426	123,431
Securities held-to-maturity	261,930	284,535	98,475	103,452
Financial Liabilities:				
Deposits from banks and other financial institutions	589,524	591,071	550,712	554,240
Due to customers	2,106,116	2,111,049	1,469,491	1,473,718
Subordinated loans	8,563	9,681	9,057	9,879

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

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

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

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

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

NOTE 38 CURRENCY RISK

Concentrations of assets, liabilities and off balance sheet items at 31 December 2006:

The Group

	EUR	USD	LTL	Other	Total
Assets					
Cash	6,476	2,557	15,353	1,058	**25,444**
Balances with central bank	-	-	189,279	-	**189,279**
Loans and advances to banks and other financial institutions	360,972	484,183	15,252	30,430	**890,837**
Loans and advances to customers	108,871	124,991	604,587	247	**838,696**
Leasing			152,528	4,080	**156,608**
Investments	162,773	335,210	100,699	62,227	**660,909**
Fixed assets *	-	-	40,406	336,224	**376,630**
Other assets	4,536	12,779	21,497	25,263	**64,075**
Total assets	**643,628**	**959,720**	**1,139,601**	**459,529**	**3,202,478**
Liabilities					
Deposits from banks and other financial institutions	211,507	248,418	61,266	68,333	**589,524**
Due to customers	400,847	731,526	953,752	19,991	**2,106,116**
Other liabilities	4,857	15,280	59,728	40,720	**120,585**
Total liabilities	**617,211**	**995,224**	**1,074,746**	**129,044**	**2,816,225**
Net balance sheet position	26,417	(35,504)	64,855	330,485	386,253
Credit commitments	27,324	5,999	109,872	75	143,270
Issued guarantees	6,494	2,778	23,010	1,749	34,031

** Including investment property.*

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

Total assets	427,620	1,111,399	747,808	71,921	**2,358,748**
Total liabilities	334,673	948,162	723,802	117,573	**2,124,210**
Net balance sheet position	92,947	163,237	24,006	(45,652)	**234,538**
Credit commitments	18,407	37,190	58,325	-	**113,922**
Issued guarantees	6,522	2,687	3,382	1,312	**13,903**

Concentrations of assets, liabilities and off balance sheet items as of 31 December 2006:

The Bank

	EUR	USD	LTL	Other	Total
Assets					
Cash	6,476	2,557	15,353	1,058	**25,444**
Balances with central bank	-	-	189,279	-	**189,279**
Loans and advances to banks and other financial institutions	362,920	488,152	215,705	213,428	**1,280,205**
Loans and advances to customers	108,871	124,991	567,743	247	**801,852**
Investments	162,773	335,210	102,373	62,213	**662,569**
Fixed assets *	-	-	32,235	-	**32,235**
Other assets	2,713	12,545	17,138	1,241	**33,637**
Total assets	**643,753**	**963,455**	**1,139,826**	**278,187**	**3,025,221**
Liabilities					
Deposits from banks and other financial institutions	190,905	248,432	73,876	68,334	**581,547**
Due to customers	400,847	731,526	953,752	19,991	**2,106,116**
Other liabilities	4,857	12,464	34,149	506	**51,976**
Total liabilities	**596,609**	**992,422**	**1,061,777**	**88,831**	**2,739,639**
Net balance sheet position	47,144	(28,967)	78,049	189,356	**285,582**
Credit commitments	27,324	5,999	98,900	1,136	**133,359**
Issued guarantees	6,494	2,778	23,010	1,749	**34,031**

** Including investment property.*

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

Total assets	429,501	975,761	721,337	57,269	**2,183,868**
Total liabilities	313,382	948,185	696,329	76,587	**2,034,483**
Net balance sheet position	116,119	27,576	25,008	(19,318)	**149,385**
Credit commitments	18,407	42,709	56,615	-	**117,731**
Issued guarantees	6,522	2,687	3,532	1,312	**14,053**

NOTE 39 INTEREST RATE RISK

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

The table below summarizes the Group's/Bank's exposure to interest rate risks as of 31 December 2006. Included in the table are the Group'/Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual reprising or maturity dates.

The table below summarizes the Group's exposure to interest rate risks as of 31 December 2006.

The Group

	Average interest rate, %	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash	-	-	-	-	-	-	25,444	**25,444**
Balances with central bank	0.9	53,619	-	-	-	-	135,660	**189,279**
Loans and advances to bankas and other financial institutions	*4.5*	634,745	91,500	26,273	57,184	-	81,135	**890,837**
Loans and advances to customers	*6.9*	451,150	99,257	157,494	93,153	23,180	14,462	**838,696**
Finance lease receivables	*18.8*	19,939	24,502	73,072	38,535	-	560	**156,608**
Investments	*3.5*	269,923	2,913	48,677	205,284	-	134,112	**660,909**
Fixed assets *	-	-	-	-	-	-	376,630	**376,630**
Other assets	-	35	69	274	243	-	63,454	**64,075**
Total assets	**-**	**1,429,411**	**218,241**	**305,790**	**394,399**	**23,180**	**831,457**	**3,202,478**
Liabilities								
Deposits from banks and other financial institutions	2.4	87,130	75,118	162,200	32,748	-	232,328	**589,524**
Due to customers	2.1	440,231	188,292	626,198	101,509	609	749,277	**2,106,116**
Other liabilities	-	-	-	7,891	-	-	112,694	**120,585**
Total liabilities	**-**	**527,361**	**263,410**	**796,289**	**134,257**	**609**	**1,094,299**	**2,816,225**
Off balance liabilities sensitive to interest rate changes	-	202,581	-	-	-	-	-	202,581
Interest sensitivity gap	-	699,469	(45,169)	(490,499)	260,142	22,571	(262,842)	**183,672**

** Including investment property.*

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

Total assets	-	965,812	91,480	280,463	245,467	23,303	752,223	**2,358,748**
Total liabilities	-	395,599	221,072	554,598	144,808	775	807,358	**2,124,210**
Off balance liabilities sensitive to interest rate changes	-	64,296	-	-	-	-	-	**64,296**
Interest sensitivity gap	-	505,917	(129,592)	(274,135)	100,659	22,528	(55,135)	**170,242**

The table below summarizes the Bank's exposure to interest rate risks as of 31 December 2006.

The Bank

	Average interest rate, %	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash	-	-	-	-	-	-	25,444	**25,444**
Balances with central bank	0.9	53,619	-	-	-	-	135,660	**189,279**
Loans and advances to bankas and other financial institutions	*2.1*	673,396	91,500	237,653	190,756	-	86,900	**1,280,205**
Loans and advances to customers	*6.4*	447,905	95,298	145,549	81,376	23,180	8,544	**801,852**
Investments	*3.7*	269,923	2,913	48,404	205,182	-	136,147	**662,569**
Fixed assets *	-	-	-	-	-	-	32,235	**32,235**
Other assets	-	35	69	274	243	-	33,016	**33,637**
Total assets	**-**	**1,444,878**	**189,780**	**431,880**	**477,557**	**23,180**	**457,946**	**3,025,221**
Liabilities								
Deposits from banks and other financial institutions	*3.6*	81,015	70,118	155,560	17,746	-	257,108	**581,547**
Due to customers	*2.1*	440,231	188,292	626,198	101,509	609	749,277	**2,106,116**
Other liabilities	-	-	-	7,891	-	-	44,085	**51,976**
Total liabilities	**-**	**521,246**	**258,410**	**789,649**	**119,255**	**609**	**1,050,470**	**2,739,639**
Off balance liabilities sensitive to interest rate changes	-	202,581	-	-	-	-	-	202,581
Interest sensitivity gap	**-**	**721,051**	**(68,630)**	**(357,769)**	**358,302**	**22,571**	**(592,524)**	**83,001**

** Including investment property.*

The table below summarizes the Bank's exposure to interest rate risks at 31 December 2005:

Total assets	-	946,614	66,513	214,289	315,185	23,303	617,964	**2,183,868**
Total liabilities	-	389,400	216,072	535,596	142,168	775	750,472	**2,034,483**
Off balance liabilities sensitive to interest rate changes	-	64,296	-	-	-	-	-	**64,296**
Interest sensitivity gap	-	492,918	(149,559)	(321,307)	173,017	22,528	(132,508)	**85,089**

To minimize the risk of interest rate fluctuations granting loans with variable interest rate the Group/Bank sets a ceiling for fixed interest rates. As of 31 December 2006 loans with fixed interest rate for the Group/Bank comprised LTL'000 474,317.

NOTE 40 SEGMENT ANALYSIS BY BUSINESS SEGMENT

2006	Banking	Finance lease	Other activities	Elimination	Group
Revenues:					
Internal	10,947	276	3	(11,226)	-
External	248,169	30,146	19,604	-	297,919
	259,116	**30,422**	**19,607**	**(11,226)**	**297,919**
Expenses:					
Internal	(127)	(8,482)	(2,617)	11,226	-
External	(159,675)	(15,447)	(19,984)	-	(195,106)
	(159,802)	**(23,929)**	**(22,601)**	**11,226**	**(195,106)**
Segment result	**99,314**	**6,493**	**(2,994)**	**-**	**102,813**
Impairment losses	(38,923)	(4,330)	(11)	-	**(43,264)**
Depreciation and amortization	(3,666)	(306)	-	-	**(3,972)**
Profit before tax	**56,725**	**1,857**	**(3,005)**	**-**	**55,577**
Income tax	(9,342)	(857)	(1,893)	-	**(12,092)**
Net result for the year	**47,383**	**1,000**	**(4,898)**	**-**	**43,485**
Attributable to:					
Equity holders of the parent	*47,383*	*1,000*	*(1,672)*	-	*46,711*
Minority interest	-	-	*(3,226)*	-	*(3,226)*
Assets	3,025,221	205,509	648,853	(677,105)	3,202,478
Liabilities	2,739,639	195,088	514,176	(632,678)	2,816,225

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

2005	Banking	Finance lease	Other activities	Elimination	Group
Revenues:					
Internal	6,694	196	223	(7,113)	-
External	131,241	29,019	554	(3,988)	156,826
	137,935	**29,215**	**777**	**(11,101)**	**156,826**
Expenses:					
Internal	112	6,661	340	(7,113)	-
External	99,151	12,913	161	-	112,225
	99,263	**19,574**	**501**	**(7,113)**	**112,225**
Segment result	**38,672**	**9,641**	**276**	**(3,988)**	**44,601**
Impairment losses	13,282	1,878	2,446	-	17,606
Depreciation and amortization	3,081	416	-	-	3,497
Profit before tax	**22,309**	**7,347**	**(2,170)**	**(3,988)**	**23,498**
Income tax	(2,647)	(1,207)	(12)	-	(3,866)
Net result for the year	**19,662**	**6,140**	**(2,182)**	**(3,988)**	**19,632**
Attributable to:					
Equity holders of the parent	-	-	-	-	*20,248*
Minority interest	-	-	-	-	*(616)*
Assets	2,183,868	162,590	613,560	(601,270)	2,358,748
Liabilities	2,034,483	153,623	502,789	(566,685)	2,124,210

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

NOTE 41 SEGMENT ANALYSIS BY GEOGRAPHICAL SEGMENT

	The Group			
	2006		2005	
Country	**Revenues**	**Assets**	**Revenues**	**Assets**
Lithuania	203,096	1,443,606	126,551	827,322
EU countries	48,039	871,534	22,316	702,500
USA	5,388	182,949	2,690	131,496
CIS	1,675	512,856	1,057	411,280
Other countries	11,953	191,533	4,212	286,150
Total	**270,151**	**3,202,478**	**156,826**	**2,358,748**

	The Bank			
	2006		2005	
Country	**Revenues**	**Assets**	**Revenues**	**Assets**
Lithuania	185,658	1,648,049	107,990	1,029,524
EU countries	48,039	871,534	22,266	702,450
USA	5,389	182,949	2,690	131,496
CIS	1,279	149,306	1,056	74,690
Other countries	10,091	173,383	3,933	245,708
Total	**250,456**	**3,025,221**	**137,935**	**2,183,868**

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AB Ūkio bankas disclosure form concerning the compliance with the Governance Code for the companies listed on the Vilnius Stock Exchange

The public company Ūkio bankas following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the Vilnius Stock Exchange for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES /NO /IRRELEVANT	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Bank's development strategy and objectives are disclosed to the shareholders in the Bank's annual report, and part of information is placed on the Bank's website.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Bank's Supervisory Council, the Board and Chief Executive Officers make every effort to implement the Bank's strategic objectives and at the same time to increase shareholder value. With this aim in view, the Bank establishes new branches in Lithuania and abroad as well as representative offices, and invests in shares of different companies to attain maximum benefit and create conditions for the expansion of the Bank's capital basis.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Bank's Supervisory Council acts in close cooperation with the Bank's Board as it helps implement the key and strategic issues of the Bank, approves the Bank's activity plans and supervises all the activities of Board and the Bank's administration. The Bank has set the produce of extending loans whereby loans of certain amounts are extended only upon receiving approval of the Supervisory Council. The Bank's Board is responsible for the development of the system allowing to determine, measure, assess and observe the Bank's activity risk. The Bank's Chief Executive Officers submit reports on implemented plans and future works to the Board.

1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Bank's Supervisory Council, the Board and Chief Executive Officers evaluate the contribution of the Bank's employees in the improvement of the Bank's activities and strengthening of the capital basis, and for this purpose conditions are created for the Bank's employees to advance their professional skills and comprehensively participate in the activities of the banking sector, the employees are given incentives when they propose innovative ideas concerning the improvement of the bank's operation. Decisions of the Bank's bodies help realize the ideas of our state and city, i.e. the Bank supports events, exhibitions, and invests in the cultural life of the local community.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	Pursuant to the Lithuanian Republic laws on banks and financial institutions, the Bank, as a credit institution, has set up the Supervisory Council, the Board and elected two Chief Executive Officers.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Board, a collegial management body, performs the functions of the Bank's management, and the Supervisory Council, a collegial supervisory body, supervises the activities of the Board and how efficiently the Board performs its functions.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Irrelevant	The Bank has set up both the Supervisory Council and the Board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not	No	At the time of electing the present Supervisory Council of the Bank the Corporate Governance Code was not adopted, therefore the Supervisory Council was set up in the manner prescribed by the Company Law. Members of the Bank's Supervisory Council are elected by the shareholders from the candidates

contradict the essence and purpose of this body.[1]		nominated by the shareholders therefore the procedure of setting up the Supervisory Council ensures the representation of interests of the minority shareholders.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	The Bank's Board comprises 5 (five) members and the Supervisory Council – 7 (seven) members. Based on the practice and opinion of the Bank's management, such number of the Board's and Supervisory Council's members is sufficient to rationally adopt decisions. Such number of Board and Supervisory Council members ensures the reception of sufficient data and information, hearing opinions and similar, which is necessary for dealing with all the issues in the optimum manner. 1. Apart from that, as the practice shows, nearly all Lithuania's commercial banks have 5 members in their Boards and 7 in Supervisory Councils.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The Bank's Supervisory Council is elected for the period of 4 years and the number of terms of office of the Supervisory Council's member is not limited. Pursuant to the currently applicable Articles of Association of Ūkio bankas as well as practice, the re-election of the same members of the Supervisory Council for the next term of office is not prohibited.

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

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

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Bank's Supervisory Council can conduct independent and impartial supervision since he did not take and presently does not take the office of the Chief Executive Officer of the Bank.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the formation of the Supervisory Council ensures objective and fair monitoring of the company's management bodies. The minority shareholders' right and possibility to have their representative in a collegial body is not restricted
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	No	To become member of the Bank's Supervisory Council or Board the authorization from the Bank of Lithuania has to be obtained therefore all the candidate members meet the requirements for this position. The shareholders are furnished with full information (curriculum vitaes) about the candidates and during the elections possibilities are created for them to ask questions and receive desired information from the candidates. The Bank's shareholders can also receive extensive information about the members of the Bank's collegial body at the Human Resource Department, which stores data about the members of collegial bodies. All circumstances provided for in the Corporate Governance Code, that could affect the candidate's independence, have not been disclosed or examined yet, since the Code came into effect in August 2006. This will be done starting with the year 2007.

3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The members of the Bank's Supervisory Council and Board present information on the qualification advancement programs related to their work in a collegial body they participated in.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	All the members of the Bank's Supervisory Council and Board possess required qualification. Pursuant to the Bank of Lithuania Board's Resolution No. 105, members of a Bank's Supervisory Council should have higher education, and at least two members of the Board should have a specific education, i.e. higher education in law, management and business administration or economics. The Bank's Supervisory Council and Board include members who are specialists in different fields. The members of Ūkio bankas Supervisory Council and Board meet the requirements set by the Bank of Lithuania.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	At the Bank, new members of the collegial bodies are granted the right to use the Bank's internal internet system, which stores all the orders, procedures and policies applicable in the Bank as well as the Bank's organizational structure in order a newly elected member of the collegial body could evaluate the current situation of the Bank and familiarize himself/herself with the bank's activities.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[3] number of independent[4] members.	No	The consideration and discussion of the issue of independent members and the sufficient number thereof in the collegial body will be started from this year. Attempts will be made to find a rational solution to ensure the observance of the Code's recommendations and shareholders' interests

[3] The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

[4] It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.	No	See commentary on the recommendation 3.6

3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	Yes	The right of the Bank's Supervisory Council to fundamentally determine of what constitutes independence is not restricted. The Supervisory Council may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he/she cannot be considered independent due to special personal or company-related circumstances
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The members of the Bank's collegial bodies adopt decisions relying on their independent opinion and seeking the maximum result for the company. Taking into consideration the fact that so far, the issue of the independence of bodies' members has not been so widely emphasized and discussed, in the nearest future the collection of information on the independence of the collegial bodies' members will be started following the independence criteria set out in the Corporate Governance Code.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	Since the Corporate Governance Code was approved only in August 2006, the full year for evaluating the independence has not passed yet. The independent members of the Bank's collegial body will confirm their independence and the Bank will announce the reasons for considering a particular member to be independent when the members of the bodies will not meet the criteria of independence throughout the year
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[5] The general shareholders' meeting should approve the amount of such remuneration.	No	Taking into consideration the fact that at present the form of remunerating the members of the company's Supervisory Council and/or Board for their permanent work in these bodies is still not finally clear, the Bank does not pay such remuneration and does not plan to approve its size at the general shareholders' meeting of the company. Pursuant to the provisions laid down in the Company Law of the Republic of Lithuania and the Bank's Articles of Association, members of the Supervisory Council or the Board may be remunerated for their work in the Supervisory Council or the Board by paying annual bonuses (tantiems) from the Bank's profit.

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[6]	Yes	The Supervisory Council elected at the Bank issues responses and recommendations concerning the company's annual Financial Statements, draft of profit distribution, the company's annual report and activities of the Board and the Bank's management to the general shareholders' meeting, and performs other functions of supervising the activities of the Bank and its management bodies ascribed to the competence of the Supervisory Council.

current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

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

4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the data possessed by the Bank all the Supervisory Council's members act in good faith with regard to the Bank, and observe the interests of the Bank but not their own or third parties' interests, and endeavour to maintain independence when adopting decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[7] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The Bank follows this recommendation since the members of the collegial bodies properly perform their functions, i.e. they actively participate in the meetings of the collegial body and devote sufficient time to perform their duties as collegial members.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Bank's collegial body always treats all shareholders impartially and fairly. Apart from that, based on this recommendation of the Code, in the nearest future it is planned to supplement the official regulations of the Bank's collegial body by more accurately describing the role of the members in communicating with and committing to shareholders.

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

4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Bank follows this recommendation because any transactions concluded between the Bank and its shareholders, members of the supervisory or managing bodies and similar are subject to approval of the Supervisory Council or the Board depending on the size of the transaction and the level of members with whom the transaction is concluded.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[8]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The Bank's collegial body is independent in passing decisions that are significant for the Bank's operations and strategy. Members of the collegial body act and pass decisions without an outside influence from the persons who have elected them. The Supervisory Council is independent of the Board. All the committees currently operating at the Bank are provided with all resources to discharge their duties. All the Bank's employees provide required information to the members of the Bank's Supervisory Council in order they could properly execute their functions and deal with the issues pertaining to their competence.

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

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	So far, all the issues mentioned in this recommendation have been handled by the Bank's Board, and the Committees of Nomination and Remuneration are not established. The Bank has set up the Audit Committee, which exercises the Bank's internal audit control. As it has been mentioned, the Corporate Governance Code came into effect in August 2006, therefore the issue concerning the establishment the Nomination and Remuneration Committees, expansion of Audit Committee's functions or its reorganization will be solved in the future after having evaluated financial expenses and other factors and making use of the market's best practice.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	No	The Bank has not set up the Nomination and Remuneration Committees, and the Audit Committee issues recommendations related to the audit control carried out in the Bank to the Bank's Supervisory Council and the Board.

4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	The issue concerning the establishment of committees provided for in the Code will be dealt with after evaluating the influence of the Code's requirements on the present structure of the Bank and after analyzing the experience of other issuers and the market as well as financial expenses and other related factors.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	The Bank has not set up the Nomination and Remuneration Committees, while the Audit Committee focuses on the independence of the audit process because otherwise the audit findings and audit material would have no sense as only the mistakes found out by the audit help the Bank to properly handle accounting and avoid mistakes.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	The Bank has not set up the Nomination and Remuneration Committees, while the Audit Committee works and holds its meetings in the manner prescribed in this recommendation.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee..	No	The Bank has not set up the Nomination Committee in the manner prescribed by the Code. The functions of the Nomination Committee are performed by the Board.

4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.	No	The Bank has not formed the Remuneration Committee in the manner prescribed by the Code.

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.	Yes	In its activities the Bank follows the provisions of this recommendation since the Bank has set up the Audit Committee, which performs the functions that are established in the Regulations governing the activities of the Bank's Audit Committee and fundamentally do not differ from those indicated in this recommendation; furthermore, the Audit Committee implements other provisions prescribed in this recommendation.

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	Up to now, the assessment of the activities of the Bank's Supervisory Council was conducted by a state supervisory institution – the Bank of Lithuania. When conducting the inspection (review), it points out all the shortcomings to be eliminated seeking efficient and productive work of the Bank's Supervisory Council. The collegial body plans to conduct the assessment of its activities, based on the provisions of this Code, after the end of this financial year.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Bank implements this recommendation and pursuant to the paragraphs 15 and 16 of the Supervisory Council's Work Regulations – "The Council meetings shall be convened by the Council chairman, and in his/her absence – by the Council deputy chairman. The meetings may also be convened by the decision passed by not less than 1/3 of the Council members. The issues proposed by the initiators of the meeting have to be included in the agenda of these meetings. When notifying of the meetings the required material prepared for the meeting has also to be presented (theses of reports, draft resolutions, certificates, explanations and other necessary documents)."
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[9].	Yes	The Bank implements this recommendation, and pursuant to the paragraph 14 of the Supervisory Council's Work regulations – "the Council's meetings shall be convened at least once a quarter. Members shall be notified of the Council's meetings being convened in writing or orally not later than 3 (three) days in advance. In separate cases, upon having the consent of all members of the Council, the meetings may be convened within a shorter time. According to the paragraph 14 of the Bank Board's Work regulations – "meetings of the Bank's Board shall be convened at least once a fortnight."

[9] The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one

5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Bank implements this recommendation, and pursuant to the paragraphs 14 and 15 of the Supervisory Council's Work Regulations – "When notifying of the meetings the required material prepared for the meeting has also to be presented (theses of reports, draft resolutions, certificates, explanations and other necessary documents). The Council's meetings shall be convened at least once a quarter. Members shall be notified about the meeting being convened in writing or orally not later than 3 (three) days in advance. In separate cases, upon having consent of all members of the Council, meetings may be convened within a shorter term."
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The Bank implements this recommendation, and pursuant to the paragraph 17 of the Supervisory Council's Work regulations – "the Bank Board's members and other Bank's managers or employees may be invited to participate in the Council's meetings with a deliberative vote. If the invited persons cannot participate in the meeting they must inform the Council's chairman or his/her deputy by stating the reason of absence."
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary registered shares comprising the Bank's capital grant equal rights to all holders of the Bank's shares.

additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Bank publicly informs investors about the rights granted by the new or already issued shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[10] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	As stipulated by the Bank's Articles of Association (paragraphs 14.25, 14.26, 14.27, 14.28), the Bank Board's decisions concerning the investment, transfer, lease (calculated separately for each type of transaction concerning non-current assets whose balance-sheet value is bigger than ½ of the Bank's authorised capital), pledge and mortgage (the total amount of transactions is calculated) of non-current assets whose balance-sheet value is bigger than 1/20 of the Bank's authorised capital; the security and guarantee of performance of other persons' obligations whose amount is bigger than 1/20 of the bank's authorised capital; the acquisition of non-current assets at the price bigger than 1/20 of the Bank's authorised capital must be approved by the general shareholders' meeting..
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The Bank implements this recommendation because the Company Law of the Republic of Lithuania also ensures equal opportunities for the shareholders to participate in the meeting and the rights and interests of the shareholders are not violated. Prior to the meeting, all shareholders interested in the activities of the Bank, may address and address the Bank's managers asking questions about the shareholders' meeting and they are furnished with extensive information.

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

6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance[11]. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	No	All draft resolutions of the shareholders as well as the adopted resolutions of the shareholders are announced to all investors and persons interested in the Bank's activities via the internet information system of the Stock Exchange in the manner prescribed by law. On its website the Bank places information related to the announcement of the shareholders' meeting, draft resolutions of the shareholders' meeting as well as approved resolutions of the shareholders' meeting.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Bank's shareholders may exercise their right to participate in the general shareholders' meeting in person or via a representative if such a person holds a proper Power of Attorney or the Agreement on the transfer of a voting right has been concluded with him/her in the manner prescribed by legislation, the Bank also furnishes the shareholders with the opportunity to vote by completing a general voting baler as provided for in the Company Law.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Irrelevant	Until now there was no need for the Bank to implement this recommendation since there are not many foreign shareholders, who successfully implement their rights of a shareholders by delegating their representative to participate in the shareholders' meeting or voting in advance by completing the voting ballot.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		

[11] The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574).

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Bank follows these recommendations since the members of the Bank's Supervisory Council and Board must observe the provisions laid down in these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The members of the Bank's Supervisory Council and Board are familiarized with these provisions and must follow these recommendations.

Principle VIII: Company's remuneration policy

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	Taking into consideration the fact that the Corporate Governance Code was adopted in August 2006, the Bank has not provided for making the remuneration statement for 4 months of the last year. It is planned to start considering the remuneration policy recommended by the Code this financial year. In the future it is planned to incorporate the remuneration statement, prepared taking into account all legal circumstances, the particularity of information acceptable under our conditions as well as other factors, into the annual accounts and place it on the Bank's website.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See commentary on the recommendation 8.1
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	See commentary on the recommendation 8.1
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	See commentary on the recommendation 8.1

8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	See commentary on the recommendation 8.1
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	See commentary on the recommendation 8.1

8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2)The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the	No	Until now the Bank applied the practice whereby the Bank disclosed information about the total amounts paid in remunerations, tantiemes and other payments within the reporting period as well as average amounts thereof per one member of the Supervisory Council, Board or administration in the annual prospectus-report. Information is given according to separate categories of these persons, i.e. separately for the Supervisory Council, Board and administration. Loans extended and guarantees and sureties granted to the above-mentioned persons are also specified. In the future it is planned to incorporate the statement of remuneration, prepared taking into account all legal circumstances, the particularity of information acceptable under our conditions as well as other factors, into the annual accounts, and place it on the Bank's website.

8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	The necessity and legal opportunities of the schemes whereby directors are remunerated in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements will be considered taking into account the Code's recommendations and seeking benefit for the Bank's shareholders. Such schemes were not implemented and applied in the Bank's activities before the effective date of the Code.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		

8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website..		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected..	Yes	The Bank's management system ensures the protection of the stakeholders' rights. Employees' rights are established and assured by the Labour Code and the Bank's employment contracts with employees. Suppliers, clients and creditors have signed contracts with the Bank and on the basis thereof the Bank endeavours to observe mutual agreements in good faith, which contributes to the Bank's long-term success and good performance results. By supporting education, culture, medicine and sports, and providing other kind of social support the Bank actively participates in the local community's life and is well aware of the importance of social responsibility.

9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	Labour laws grant the right to the representatives of employees to submit proposals to the Bank concerning work organization, in adoption of key decisions. The Bank does not object to employee participation in the share capital.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The stakeholders are granted access to relevant information.

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	The Bank follows this recommendation since information about the Bank's objectives, results etc. is announced on the Bank's website, the public information system of the Exchange and in the Bank's reports.

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions..	Yes	The Bank follows this recommendation since information is presented in the Lithuanian and English languages via the system of information disclosure of the Vilnius Stock Exchange simultaneously insofar this is possible. The Stock Exchange places this information on its website and trading system and in this way simultaneous disclosure of information to all is ensured. Furthermore, the Bank announces information only before or after a trading session of the Vilnius Stock Exchange and simultaneously presents it to all the markets where the Bank's securities are traded. The Bank does not disclose information, which might have influence on the price of securities issued by it, in commentaries, interviews or any other manner before such information is publicly announced via the information system of the Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	All information on the Bank's website is placed in the Lithuanian, English and Russian languages.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too..	Yes	The Bank follows this recommendation since it places all the information enumerated in this recommendation on tits website.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The Bank follows this recommendation since an independent company of auditors conducts the audit of the Bank's interim financial statements, annual financial statements and report.

11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Bank follows this recommendation since the candidate company of auditors is proposed to the general shareholders' meeting by the company's Supervisory Council event though it can also be proposed by the shareholders or the Bank's Board.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	So far the company of auditors has not received from the Bank any other income than that for the conducted audit. Information about the income received from Bank by the company of auditors can be obtained from agreements signed between the Bank and the company of auditors, furthermore every year the shareholders approve a remuneration payable to the company of auditors and all shareholders know the amount of income received by the company of auditors, and the shareholder who is interest in the income received by the audit company from the Bank can obtain this information during the shareholders' meeting from the Bank's managers