AB ŪKIO BANKAS

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

AB ŪKIO BANKAS

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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.

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 Y2006

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
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 Republic of Lithuania Law on Banks Article 2(6) except for trading in precious metals.

Head Office address:	Maironio g. 25, 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.

In 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 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 Group increased by LTL 50 million (39 percent) in 2006 and made LTL 176.708 million at the year-end. Share capital was comprised of 176.708 million ordinary shares with the 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 klientai	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 has 7 subsidiaries. In 2006, the Bank has set up UAB Ūkio banko investicijų valdymas and UAB UAB Ūkio Banko Lizingas has set up RAB Ūkio bank lizing (Ukraine). 31 December 2006, AB Ūkio bankas group consisted of AB Ūkio bankas (parent company) and 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 shares of OAO Russkij Karavaj.
** UAB Ūkio Banko Lizingas owns 100 percent of shares of RAB Ūkio Bank Lizing.

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

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

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 book value of loans that loss event has occurred and impairment loss has occurred made 9.7 percent of the book value of Group's loan portfolio. Qualified discounted cash flows from the collateral for the loans that loss event has occurred and impairment loss has occurred make 27.0 percent of the nominal value of these loans, special 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 Group's loan portfolio. Major part of the loans that loss event has occurred and impairment loss has occurred consists of the loans that loss event is recognized not because of payment delays, but because of the 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 whole loan portfolio. For the investments held to maturity, no loss event has occurred and no provision was made. Special 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.

As to the structure of trades, the Group/Bank primarily faces the following market risks:
- Currency risk
- Interest rate risk
- Equity price risk

- 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 the 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 Bank's and Group's development and main goals set by shareholders.

The result of the activity of the Bank for the year 2006 is 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, Bank's assets increased by LTL 841 million (39 percent) and made LTL 3.0 billion at the year-end. Group's assets increased by LTL 844 million (36 percent) and made LTL 3.2 billion at the year-end. Main audited indicators of the Group and the Bank (in LTL thousand) are presented in the table below:

Group's indicators					**Bank's indicators**			
2006	**2005**	**INCREASE LTL 000s**	**INCREASE per cent**	**ITEM**	**2006**	**2005**	**INCREASE LTL 000s**	**INCREASE per cent**
193,366	104,991	88,375	84	Income	175,718	88,110	87,608	99
94,525	63,887	30,638	48	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	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 / Income before provisions and income tax	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		

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 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, Bank's service network consisted of 46 outlets – 12 branches and 34 client service departments.
- In 2006, Bank established its representative office in Kazakhstan. As of 31 December 2006, Bank had 3 representative offices in Kiev (Ukraine), Moscow (Russia) and Almaty (Kazakhstan).
- In 2006, Bank established 100percent owned subsidiary UAB Ūkio banko investicijų valdymas, which specializes in operations with securities and fund management. UAB Ūkio banko lizingas established 100percent owned leasing subsidiary, RAB Ūkio bank lizing in Kiev (Ukraine).
- In 2006, number of active customers of AB Ūkio bankas increased by 25 percent and was more than 65 thousand as of 31 December 2006.
- Bank's 100percent 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. number of customers increased by 12 percent during the year.
- In 2006, compared to previous year, income earned by the Group increased by 84 percent and made LTL 193 million. Group's expenses before provisions and income tax increased by 48 percent and made LTL 95 million.
- In Q2 2006, Bank successfully issued new stock emission with 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 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 of 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 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, 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 Group's income. The largest share of 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 Group's income. Other income decreased by 72 percent down to LTL 3 million and made 2 percent of Group's income. Income structure of the Group and the Bank (in LTL thousand) is presented in the table below:

Group				ITEM	Bank			
		GROWTH					GROWTH	
2006 m.	**2005 m.**	**LTL 000s**	**per cent**		**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 Group's expenses consisted of staff expenses, which increased by 65 percent up to LTL 31 million.
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, 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 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 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 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 12percent of 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 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 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 EXPLATIONS 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 IN 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 authorised capital and/or voting rights or to increase it so that the proportion of the authorised 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 increased Group's stake in GD UAB Bonum Publicum up to 100 percent.

INFORMATION ON GROUP'S ACTIVITY PLANS, DEVELPOMENT 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 Appendix 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

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

AB ŪKIO BANKAS

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 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:

E. Karpavičienė Chairwomen of the Board	V. Petraitienė Chief Accountant

AB ŪKIO BANKAS

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 (loss)	-	-	-	-	-	-	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 (loss)	-	-	-	-	-	-	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)

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

AB ŪKIO BANKAS

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	**31**	(1,107)	(33,945)	(600)	-
Disposal of subsidiaries	**31**	-	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	**32**	**395,908**	**537,648**	**395,048**	**537,483**
Cash and cash equivalents at the end of period	**32**	**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 divisions in Lithuania and 3 representative offices in foreign countries. In addition, the Bank has 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 which 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).
- 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);
- IFRIC 12, Service Concession Arrangements (effective 1 January 2009).

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).

IAS 39 (Amendment), the Fair Value Option
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.

IFRIC 4, Determining whether an Arrangement contains a Lease
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 and International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for portfolio hedge accounting under IAS 39, which has not been adopted by the EU. The Group/Bank has determined that portfolio hedge accounting under IAS 39 would not impact the consolidated financial statements had it been adopted by the EU at the balance sheet date.

The financial statements have been prepared under the historical cost except of construction in progress, investment property, financial assets and financial liabilities that are held 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.

Subsidiaries

The consolidated financial statements include all subsidiaries that are controlled 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 by the Bank are shown as a separate item of the shareholders equity in the consolidated 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 average exchange rates;
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings 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 recognised in the statement of income for all instruments measured at amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group/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 recognised 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 through profit or loss;
Investment securities available-for-sale;
Investment securities held-to-maturity;
Investments into subsidiaries.

All securities are accounted for at settlement date.

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

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

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

The fair values of those securities not traded are estimated by the management of the Group/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.

<u>Investment securities available for sale</u>
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.

<u>Investment securities held to maturity</u>
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 mandatory 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 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, perceptively.

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.

Deferred tax liabilities are recognized for all taxable temporary differences except to the extent that the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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 4,102. Goodwill was not impaired as of 31 December 2006.

<u>Impairment losses on loans and advances</u>
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 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 one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group/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 2005 the Group/Bank 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 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 following market risks:

- Currency risk (Note 39)

Operational risk

The Bank has established the 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. The table below summarizes the Group's/Bank's exposure to foreign currency exchange rate risk as of 31 December 2006. Included in the table are the Group's/Bank's assets and liabilities at carrying amounts, categorized by currency.

As to the structure of trades, the Group/Bank primarily faces the following currency risks:

- Interest rate risk (Note 40)

x) Restatement

The Group/Bank financial statements for the year ended 31 December 2006, in cash and cash equivalents calculation (note 32) were not included 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 ADVANCES 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 pisciculture	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 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			Present value of minimum lease receivables	
2006	2005		2006	2005
		Amounts receivable under finance leases		
133,551	111,343	Due within one year	121,306	102,111
43,098	22,954	Due within the second to fifth years inclusive	38,701	20,921
176,649	**134,297**	**Total**	**160,007**	**123,032**
(16,642)	(11,265)	Less: unearned finance income	-	-
160,007	**123,032**	**Minimum lease receivables**	**160,007**	**123,032**
(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			The Bank	
2006	2005		2006	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**

NOTE 12 INTANGIBLE ASSETS

The Group Software	Goodwill	Total		The Bank 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**
			Amortisation	
1,765	**-**	**1,765**	**As of 31 December 2004**	**1,649**
1,025	-	1,025	Amortisation charge	989
(111)	-	(111)	disposals, write-offs (-)	(111)
2,679	**-**	**2,679**	**As of 31 December 2005**	**2,527**
881	-	881	amortisation 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 the 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		
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
837	3,814	receivables on Spot transactions	837	3,814
322	25,004	prepayments	322	25,113
29	86	foreclosed assets	29	86
-	8,153	receivable for sold debt	-	-
-	14,551	advance payment to investment fund	-	14,551
27,005	10,423	other receivables	6,389	1,818
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		
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	-	-
11,240	4,750	Compulsory social security funds	11,240	4,750
11,771	8,980	Income tax payable	9,567	8,770
4,679	2,861	Prepayments from customers for finance leases	-	-
3,523	2,006	Accrued income and deferred expenses	503	93
2,949	2,805	Suspense accounts	2,949	2,805
2,667	2,393	Prepayments for Spot transactions	2,667	2,393
2,678	1,996	Payroll and social security payable and vacation reserve	2,554	1,420
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
10,680	6,716	Other liabilities	8,716	5,955
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		
12,612	3,486	Current income tax	10,046	3,124
(1,703)	5,544	Prior year income tax corrections	(1,657)	5,544
1,183	(5,164)	Deferred tax (note 29)	953	(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)
(1,703)	5,544	Prior year income tax corrections	(1,657)	5,544
13,195	5,629	Tax effect of expenses not deductible in determining taxable profit	8,945	2,543
(133)	(1,539)	Increase in deferred tax resulting from change in tax rate (2007- 18%; 2006 – 19%)	(104)	(1,378)
(126)	(5,042)	Changes in deferred tax valuation allowance	(545)	(4,643)
12,615	**3,866**	**Income tax expense**	**10,046**	**2,647**
22.70%	16.45 %	Effective tax rate	17.71%	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	-	-
1,032	-	Revaluation of securities held for maturity	1,032	-
1,445	336	Revaluation of securities available for sale	1,321	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 29)	7,693	7,463
Revaluation of construction in progress charged directly to equity	4,785	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 ESTABLISHMENT OF SUBSIDIARIES

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 32 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 33 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			**1,970,860**
Total trading book			**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			**1,798,371**
Total trading book			**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			**1,461,927**
Total trading book			**150,738**
Capital Base			**207,778**
Total risk weighted assets and off-balance sheet items			1,612,665
Capital adequacy ratio, %			**12.88**

* 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			**1,293,329**
Total trading book			**138,375**
Capital Base			**150,591**
Total risk weighted assets and off-balance sheet items			1,431,704
Capital adequacy ratio, %			**10.52**

* Including investment property.

NOTE 34 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	**1,023,267**	**254,068**	**406,336**	**822,049**	**129,348**	**567,410**	**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	**(489,723)**	**13,870**	**(355,181)**	**559,403**	**128,731**	**529,153**	**386,253**

** Including investment property.*

At 31 December 2005 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
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	**997,414**	**225,245**	**572,916**	**908,164**	**128,947**	**192,535**	**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	**(507,801)**	**(9,205)**	**(178,861)**	**660,584**	**128,330**	**192,535**	**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 35 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 36 CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

The Group			**The Bank**	
2006	**2005**	**Claims and liabilities**	**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:

	2006		2005	
For the year ending 31 December	**Finance lease**	**Operating lease**	**Finance lease**	**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 37 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 38 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of International Accounting Standard 32, Financial Instruments: Disclosure and Presentation. The estimated fair value amounts have been determined by the Bank using market information and valuation methodologies considered appropriate. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group/Bank 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/Bank as of 31 December 2006 and 2005. The Group/Bank are not aware of any factors that could have a material impact on the amounts of these fair values.

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

	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
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

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 39 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 guaranties	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 guaranties	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:

	EUR	USD	LTL	Other	Total
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 40 INTEREST RATE RISK

The Bank and 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**

NOTE 41 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	(3,666)	(306)	-	-	**(3,972)**
Profit before tax	**56,725**	**1,857**	**(3,005)**	**-**	**55,577**
Income tax expenses	(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	3,081	416	-	-	3,497
Profit before tax	**22,309**	**7,347**	**(2,170)**	**(3,988)**	**23,498**
Income tax expenses	(2,647)	(1,207)	(12)	-	(3,866)
Net result for the year	**19,662**	**6,140**	**(2,182)**	**(3,988)**	**19,632**
Attributable to:					
Equity holders of the parent	*-*	*-*	*-*	*-*	*20,248*
Minority interest	*-*	*-*	*-*	*-*	*(616)*
Assets	2,183,868	162,590	613,560	(601,270)	2,358,748
Liabilities	2,034,483	153,623	502,789	(566,685)	2,124,210

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

NOTE 42 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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