Annual report | 2007

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ŪKIO BANKAS

CONTENTS

SUPERVISORY COUNCIL

Liutauras Varanavičius
Chairman

Ulf Löwenhav
Deputy Chairman

Leonas Rimantas Butkus
Member

Olga Gončaruk
Member

Ala Kurauskienė
Member

Gražina Jakavičienė
Member

Viktoras Soldatenko
Member

BOARD

Gintaras Ugianskis Chief Executive Officer– Deputy Chairman	Rolandas Balandis Memeber	Edita Karpavičienė Chairwoman of the Board	Arnas Žalys Member	Antanas Grigaliauskas Member

ŪKIO BANKAS INTERNAL AUDIT COMMITTEE 2007

The authority to set up Ūkio bankas Internal Audit Committee lies with the Bank Council. The committee consists of four members:

- Liutauras Varanavičius (chairman)
- Roma Račienė
- Rolandas Balandis
- Marius Vaivada

M.Vaivada became member of Internal Audit Committee on 10 December 2007, and the remaining committee members hold office since 2005. Six meetings of Ūkio banko Internal Audit Committee were held in 2007.

Internal Audit Committee supervises the bank's system of internal control and risk management, coordinates and regularly assesses the work of internal audit (in 2007 the bank's internal audit activities were assessed by independent external experts. UAB Deloitte Lietuva auditors gave positive evaluation of the bank's internal audit which complies with International Internal Audit Standards), reviews internal and external audit reports, approves long-term and current plans of Internal Audit Department, monitors whether the bank's activities are in compliance with the law, legislation, statute and strategy of the bank. Internal Audit Committee also gives recommendations to Supervisory Council with regard to external audit services provider.

CHAIRWOMAN'S STATEMENT

Dear shareholders, clients and partners,

I would like to start the overview of Ūkio bankas and Group result of 2007 with a note that last year was the year of record profit. Dynamic activity and close attention to clients, regularly introduced useful products and services, expansion and improvement of client service network enabled to significantly exceed the forecasts and create more value for shareholders. During the year 6 new client service units were opened and by the end of the year Ūkio bankas had 12 branches and 40 client service units all over Lithuania. We are happy to see that more and more clients choose Ūkio bankas services, trust them and use more actively. In the end of 2007 Ūkio bankas ranked fifth by capital and seventh by managed assets in Lithuania.

Last year Ūkio bankas earned trust not only from clients but from investors too. In 2007 the bank's shares were some of the most liquid in Vilnius Stock Exchange and ranked second by turnover. In the opinion of many professional investors Ūkio bankas shares remain among the most attractive shares of financial sector in Eastern and Central Europe.

International ratings services acknowledged Ūkio bankas progress. In February 2007 Moody's revised its outlook and improved Ūkio bankas ratings, and in September Standard&Poor's rated Ūkio bankas for the first time.

A facility agreement signed in November 2007 with twenty one foreign banks for almost LTL 166 million syndicated loan proves that Ūkio bankas is a well known, reputable and reliable partner. It is the third syndicated loan granted to Ūkio bankas during the last two years. Success of this agreement in the light of complicated situation in international capital markets has demonstrated a very high level of confidence of financial institutions in Ūkio bankas and this confidence was based on the bank's excellent financial results.

In 2007 the bank actively strengthened its capital base which preconditioned further rapid growth. The bank made a successful public offering of LTL 20 million issue of ordinary registered shares. Another step in this field is a ten-year subordinated loan of LTL 93 million received in December that the bank was permitted to include into Tier II capital. The issue of shares, good operational results and subordinated loan strengthened Ūkio bankas capital base and paved the road for further growth.

As it was already mentioned, Ūkio bankas pays great attention to the quality of client services. Last year the network of client services and ATMs was expanded and the bank's client service officers professionally developed in training courses. One of the biggest steps in this field was the setting up of Private Banking Department. Growing financial capacity of Lithuanian population creates the request for new banking services. Ūkio bankas has matured to meet the needs of clients having the highest requirements for financial services and to assume responsibility for the management of personal finance of such clients. Therefore, private banking services will add value for our present and future clients.

Looking for new and prospective business niches granting conditions of successful competition Ūkio bankas established a new subsidiary UAB Ūkio banko rizikos kapitalo valdymas. The new company was set up with the aim to finance prospective innovative and rapidly growing companies and their investment projects. Another subsidiary Ūkio banko lizingas also deserves attention as it worked very successfully and has achieved leading positions in consumer lease market.

It is hard to imagine today's business as autonomous unit existing apart from the society. Every day business faces higher social responsibility and business ethics requirements. We are happy to see the growing importance of Ūkio bankas in the society as we are an active and valuable community member. In 2007 Ūkio bankas, continuing its third year membership of UN Initiative on Socially Responsible Business, kept on aligning the bank's strategies and operation with the Global Compact and its ten principles. Ūkio bankas report on the progress made in 2007 in the support of those ten principles on human rights, the environment and anti-corruption is enclosed to this annual report (see p. 101).

I would like to thank all our clients, shareholders and employees for the trust, which we find very important in our pursuit of ambitious goals and high results. In 2008 Ūkio bankas and the Group undertakes to work successfully and profitably. We will keep on working in such a manner that will ensure efficient and rational operations to increase value for our shareholders and reach the objectives stated by our shareholders.

E. Karpavičienė
Chairwoman of the Board

MISSION – THE PURPORT OF OUR ACTIVITIES

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

VISION– THE PERSPECTIVE OF OUR ACTIVITIES

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

OUR VALUES

- Partnership
- Reliability
- Goodwill
- Transparency
- Respect
- Professionalism

MAJOR ŪKIO BANKAS EVENTS IN 2007

11/01/2007

Ūkio bankas subsidiary UAB Ūkio banko investicijų valdymas established the second investment fund Ūkio bankas Rational Investment Fund who will invest in global securities.

02/02/2007

Ūkio bankas social activities were complemented with another charity project – the bank became general sponsor of Mstislav Rostropovich charity and support fund Help to Lithuanian Children.

26/02/2007

Moody's Ratings Services revised its outlook on the operations of Ūkio bankas and upgraded the bank's long-term counterparty credit rating to Ba3 and the financial strength rating to D-. The perspective of both ratings is stable.

22/03/2007

General meeting confirmed AB Ūkio bankas and Group financial statements of 2006. Pursuant to the shareholders' decision Ūkio bankas allocated LTL 1.8 million in dividends, namely LTL 0.01 for each LTL 1 share. 2007 is the third year in a row when Ūkio bankas shareholders receive dividends.

11/04/2007

For the second year in a row Ūkio bankas takes part in the Praise Good Service campaign held by GerasAptarnavimas.lt. During the campaign this year secret buyer's investigation was added to personal assessments of clients. Ūkio bankas was among ten best companies in this investigation.

02/05/2007

The bank's clients were offered a new service to create their personalized *Maestro* and *MasterCard* design. This new service is meant for those clients who want to stress their individuality.

21/06/2007

Ūkio bankas established a new subsidiary UAB Ūkio banko rizikos kapitalo valdymas. The new company was set up with the aim to finance perspective, innovative and rapidly growing companies or their investment projects.

23/07/2007

Ūkio bankas successfully finished the subscription of the new LTL 20 million (EUR 5.79 million) issue of ordinary registered shares. During the subscription period 20 million shares of the par value of LTL 1 (EUR 0.29) were subscribed to and paid in full.

10/08/2007

Ūkio bankas registered amendments of the bank's articles of association with regard to the increase of registered capital in Legal Persons Register of the Republic of Lithuania. The bank's registered capital was supplemented with monetary contributions of LTL 20 million and reached LTL 196.71 million. In 2007 Ūkio bankas registered capital increased by 11.3 percent.

07/09/2007

Standard&Poor's Ratings Services gave ratings to Ūkio bankas for the first time and assigned BB for long term counterparty credit and B for short term credit. The perspective of both ratings is stable.

16/10/2007

Ūkio bankas set up a Private Banking Department and started providing private banking services for its clients.

21/11/2007

A facility agreement providing for LTL166 million (EUR 48 million) syndicated loan to be extended to Ūkio bankas by 21 foreign bank was signed in Kaunas. The facility was arranged by the banks Bayerische Landesbank and HSH Nordbank AG.

07/12/2007

An agreement was signed in London providing for LTL 93 million (EUR 27 million) subordinated loan to be granted to Ūkio bankas by redeeming fixed-floating rate subordinated notes issued by the bank. Maturity of the subordinated loan is 10 years.

27/12/2007

Having analysed the results of 2007 Central Securities Depository of Lithuania announced the most efficient banks and financial brokers in the country. Ūkio bankas was nominated the strongest in the category "For leadership in using the settlement link between the Depository and Clearstream Banking Luxembourg".

2007 WAS THE MOST SUCCESSFUL YEAR IN ŪKIO BANKAS HISTORY

Key financial indicators of Ūkio bankas for year 2007

	2007, LTL million (EUR million)	2006 LTL million (EUR million)	Increase, percent
Assets	4019,4 (1164,1)	3025,2 (876,2)	33
Profit	82,7 (24,0)	47,4 (13,7)	75
Income	237,1 (68,7)	175,7 (50,9)	35
Deposits	2734,0 (791,8)	2117,4 (613,2)	29
Loans to clients and financial institutions	2362,5 (684,2)	1317,5 (381,6)	79
Shareholders' Equity	430,3 (124,6)	285,6 (82,7)	51

Comparison of Ūkio bankas and market indicators 2007

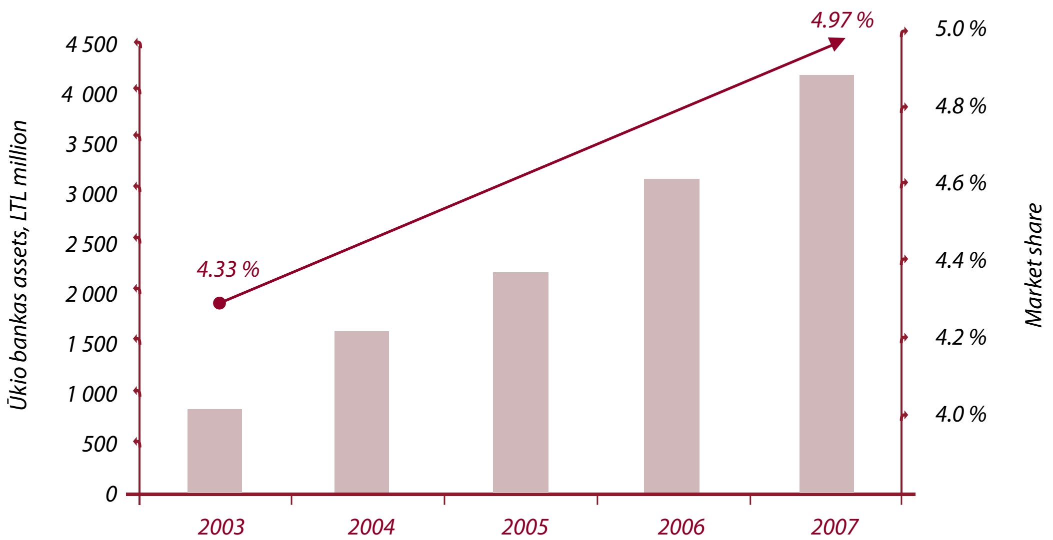
indicators	Ūkio bankas	Banking system *
Return on Assets (ROA).	2.35 %	1.7 %
Return on Equity (ROE)	23.1%	25.9 %
Profit growth	75 %	73 %
Asset growth	33 %	37 %
Deposit growth	29 %	21%
Loans to clients and financial institutions growth	79 %	44 %
Equity growth	51%	43 %

*Source: Bank of Lithuania, 31/01/2008

Assets

During 2007 Ūkio bankas assets grew by LTL 994 million (EUR 288 million) or 33 percent and by the end of the year reached almost LTL 4 billion (EUR 1.2 billion). By the end of 2007 Ūkio bankas ranked seventh by assets in Lithuania.

Assets growth of Ūkio bankas



Profit

In 2007 Ūkio bankas earned LTL 82.72 million (EUR 23.96 million) in profits, i.e. 75 percent more compared to 2006 (LTL 47.38 LTL million, EUR 13.72 million). Rapid growth of Ūkio bankas income and profit was influenced by significant growth in the number of clients and their activity, growth of interest earning assets and changes in their structure. Growing profit influenced the increase of ROA and ROE. In 2007 Ūkio bankas ROA reached 2.35 percent (1.82 percent in 2006), while ROE grew by 23.11 percent (from 21.79 percent in 2006).

Income

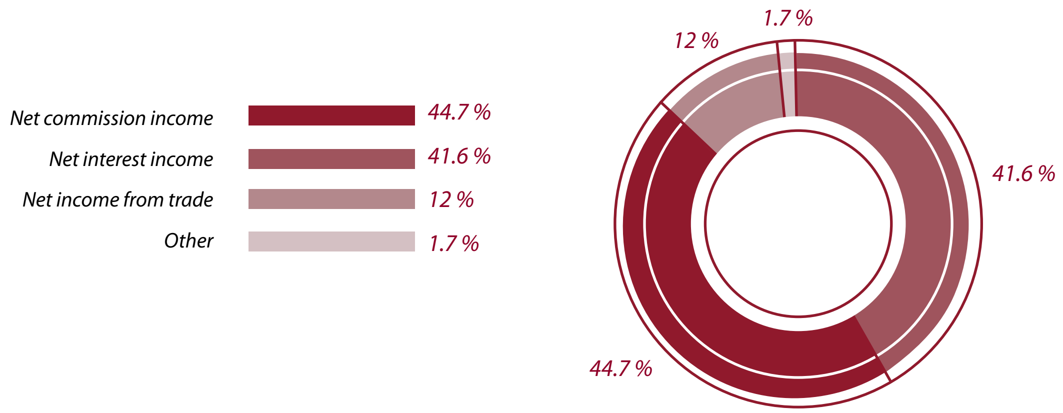
In 2007 the most significant indicators of Ūkio bankas were net service and commission income representing almost 45 percent of the bank's total income. In 2007 these earnings amounted to LTL 106.0 million (EUR 30.7 million), i.e. 28 percent more compared to 2006.

The share of net interest income in the bank's total income increased from 32 percent in 2006 to 42 percent in 2007. During 2007 the bank earned LTL 98.5 million (EUR 28.5 million) net interest income, i.e. LTL 42 LTL million (EUR 12.2 million) or 75 percent more compared to 2006.

Income from trade made up 12 percent of the bank's total income in 2007 and earnings from trade amounted to LTL 28.4 million (EUR 8.2 million).

Other income of the bank in 2007, compared to 2006, increased by LTL 1.1 million (35 percent) and amounted to LTL 4.0 million (EUR 1.2 million), their share in the bank's total income both in 2007 and in 2006 made up 2 percent.

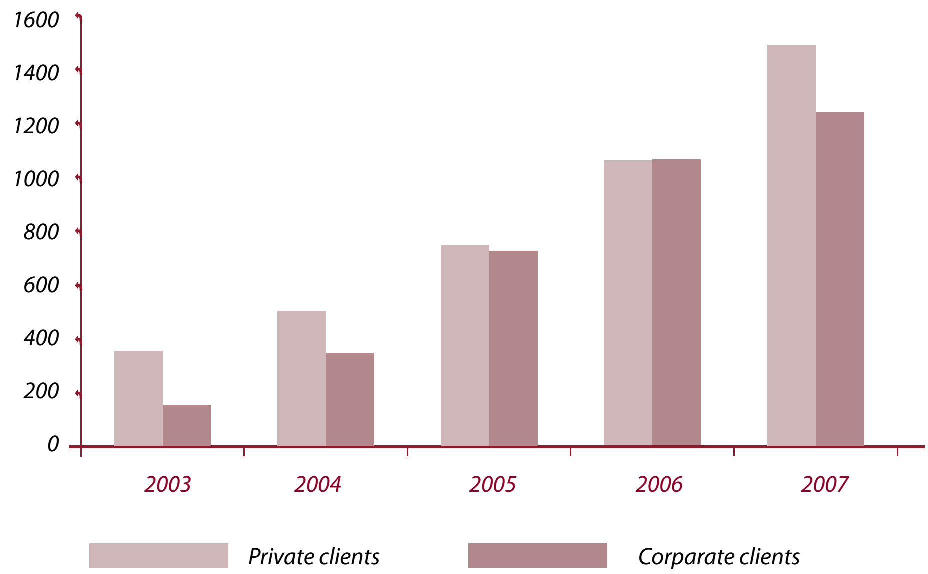
Ūkio bankas income structure in 2007



Deposits and loans

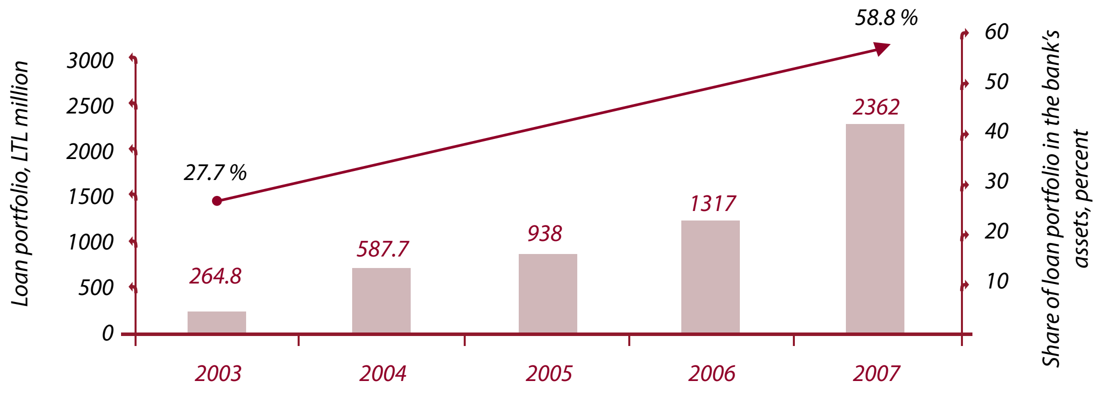
With growing client confidence in Ūkio bankas and successfully selected deposit attracting strategy ensuring some of the best saving conditions in the market in 2007 business deposits grew by 17 percent and reached LTL 1.2 billion (EUR 359 million). The number of corparate clients holding time deposits with Ūkio bankas increased by 55 percent in 2007. Deposits of private clients in Ūkio bankas last year grew by 41 percent and on 31 December 2007 amounted to LTL 1.5 billion (EUR 433 million). Time deposits of private clients grew by 43 percent up to LTL 1.35 billion (EUR 390 million) and made up 90 percent of private client deposits.

Growth of deposits at Ūkio bankas, LTL million



In 2007 Ūkio bankas loan portfolio amounted to LTL 2.36 billion (EUR 684 million) showing 79 percent growth compared to 2006: loans to financial institutions grew by 5.5 percent and loans to bank clients grew by 126.7 percent.

Loans to clients and financial institutions growth at Ūkio bankas



Credit ratings

International Ratings Services also acknowledged Ūkio bankas progress. On 24 February 2007, Moody's upgraded ratings of AB Ūkio bankas as follows:

- Long term deposit rating up to Ba3/NP (previous B1/NP);
- financial strength rating up to D- (prievious E+).

The perspective of both ratings is stable.

7 September 2007 Standard&Poor's rated Ūkio bankas for the first time and assigned the following ratings:

- long term credit rating BB;
- short - term credit rating B.

The perspective of both ratings is stable.

Capital markets

On 21 November 2007 a facility agreement was signed, according to which a syndicated loan for EUR 48 million (almost LTL 166 million) was extended to AB Ūkio bankas by twenty one foreign bank. Mandated lead arrangers to syndicated loan were Bayerische Landesbank and HSH Nordbank AG. As a result of big interest among international credit market players the initial loan amount of EUR 25 million was substantially increased and reached EUR 48 million. It is the third syndicated loan granted Ūkio bankas during the last two years. 19 November 2006 foreign banks extended a LTL 133 million syndicated loan to Ūkio bankas and in 2005 eight European banks granted a LTL 41.4 million syndicated loan.

Correspondent banking

In 2007 Ūkio bankas continued active cooperation with foreign banks. Correspondent relations are maintained with 600 banks in different countries. By the end of the year Ūkio bankas held correspondent Nostro accounts with financial institutions in 30 countries.

Capital base strengthening

In Q3 2007 Ūkio bankas successfully completed a public offering of ordinary registered shares of the new LTL 20 million issue. Share premium of subscribed shares amounted to LTL 42 million.

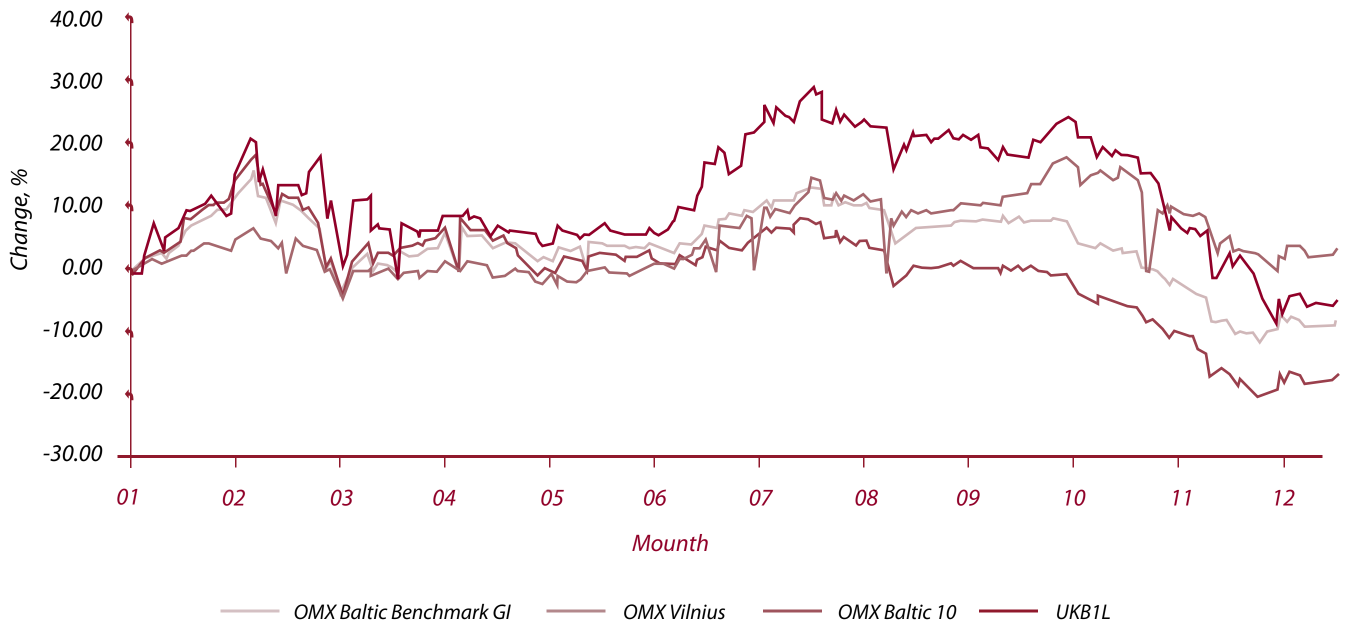
In December 2007 the bank received a ten-year subordinated loan of EUR 27 million (LTL 93 million) which was included into the bank's Tier II capital.

The issue of shares, good operational results and subordinated loan strengthened Ūkio bankas group capital base and preconditioned rapid growth. In 2007 the bank's capital adequacy ratio grew from 11 percent at the beginning of the year up to 13.4 percent by year end.

Dynamics of Ūkio bankas shares

In 2007 Ūkio bankas shares were some of the most liquid in Vilnius Stock Exchange and showed exceptional growth in turnover. Compared to 2006 the turnover grew by 80 percent and reached the record amount of almost LTL 470 million (EUR 136 million). High liquidity, big trust from investors and excellent Ūkio bankas growth perspectives guaranteed leading positions to the bank's shares in Vilnius Stock Exchange, where they ranked second by turnover in 2007. In the opinion of many professional investors Ūkio bankas shares remain some of the most attractive financial sector shares in Eastern and Central Europe.

The growth of the share price of Ūkio bankas in the year 2007



SHORT OVERVIEW OF ŪKIO BANKAS GROUP RESULTS IN 2007

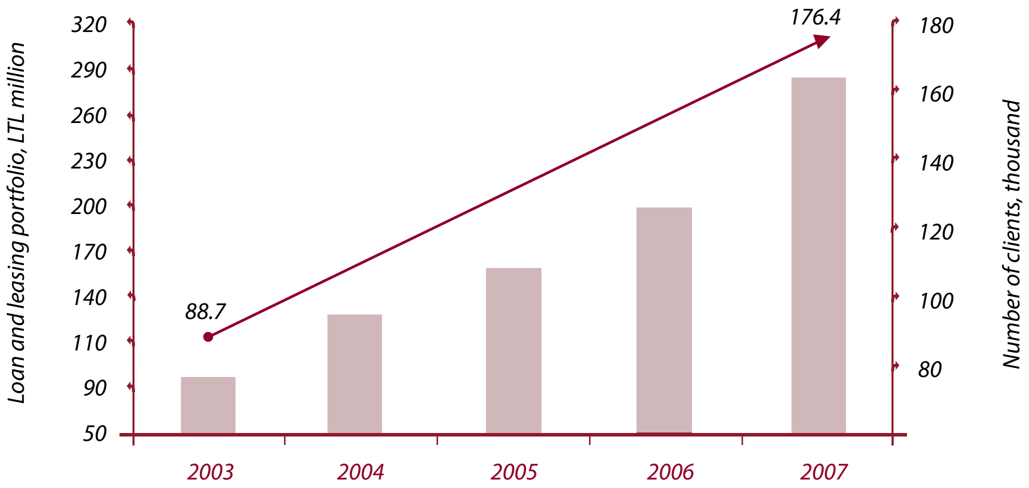
By the end of 2007 Ūkio bankas group had eight subsidiaries: UAB Ūkio banko lizingas, UAB Turto valdymo strategija, UAB Turto valdymo sprendimai, UAB Turto valdymo sistemos, OAO Russkij Karavaj, RAB Ūkio bank lizing, UAB Ūkio banko investicijų valdymas and UAB Ūkio banko rizikos kapitalo valdymas.

2007 was the most successful year not only in the history of Ūkio bankas but the Group too. In 2007 the Group earned LTL 77.4 million net profits, i.e. 78 percent more compared to 2006. During 2007 the Group's assets grew by LTL 1.1 million (35 percent) and by year end amounted to LTL 4.3 billion. Compared to 2006 Ūkio bankas group income grew by LTL 66 million or 34 percent in 2007 up to LTL 259 million.

In 2007 companies UAB Turto valdymo strategija, UAB Turto valdymo sprendimai, UAB Turto valdymo sistemos and OAO Russkij Karavaj continued implementing a real estate project in Moscow.

The subsidiary UAB Ūkio banko lizingas should be noted for exceptionally successful operations in 2007 as it became one of the leading companies in consumer leasing market. The leasing company offered its services in more than 2.5 thousand points of sale all over Lithuania. In the end of 2007 it had 176 thousand clients, i.e. 7 percent more that in the beginning of the year. The growth of portfolio was achieved by expansion of partner network, active cooperation with computer traders and holding attractive campaigns for clients. Lithuanian population actively used Ūkio bankas leasing services for the purchase of domestic appliances, sound and video equipment, and computers.

Growth of Ūkio banko lizingas loan and leasing portfolio net value



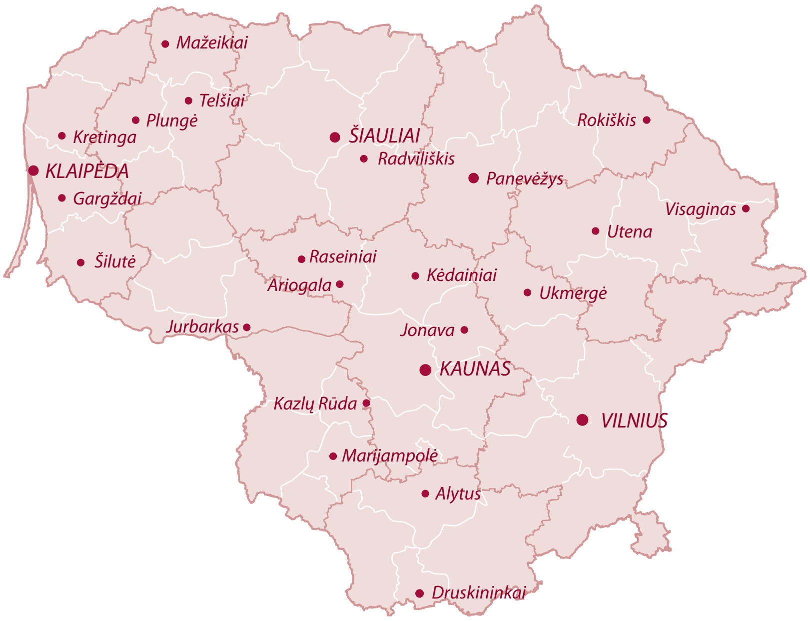
UAB Ūkio banko lizingas subsidiary RAB Ūkio bank lizing developed operations in the Ukrainian market. This company provides all types of hire-purchase services for private and corparate clients. In the end of 2007 the number of RAB Ūkio bank lizing clients exceeded 1.5 thousand, while the size of leasing portfolio reached LTL 32.5 million.

Consistently offering more investment opportunities for its clients the bank's subsidiary Ūkio banko investicijų valdymas set up the second fund in 2007. The new Ūkio bankas Rational Investment Fund invests into securities all over the world. This fund targets investors with low or average investment experience who look for higher return on deposits or bonds and are ready to assume higher risk. The Fund aims to receive return on investment higher than bonds by using rational risk management. By 31 December 2007 Ūkio bankas Rational Investment Fund attracted 319 members. 31 December 2007 the Fund's net asset value amounted to LTL 6.3 million, while the value of IU grew by 10 percent during the year. The first fund, Ūkio bankas Bond Fund, targeting investors who prefer a more conservative investment strategy, was established in July 2006. 31 December 2007 the fund had 108 investors while the Fund's net asset value reached LTL 8.8 million.

Looking for new and prospective business niches where the bank could compete successfully in the middle of 2007 Ūkio bankas set up a new subsidiary UAB Ūkio banko rizikos kapitalo valdymas. The company offers financing solutions for perspective, innovative and rapidly growing companies or for separate innovation development projects. During 2007 the company laid foundations for its business establishing cooperation relationship with business consulting companies, holding meetings with local businesses. Besides, in 2007 UAB Ūkio banko rizikos kapitalo valdymas started implementing its first investment project in the field of real estate and invested LTL 2.4 million for two years.

NEW SERVICES TO ŪKIO BANKAS CLIENTS

During the year 2007 Ūkio bankas opened 6 new client service units. By year end the bank's client service network consisted of 52 territorial units – 12 branches and 40 client service units. The bank also had 3 representative offices in Kiev (Ukraine), Moscow (Russia) and Almaty (Kazakhstan).



In 2007 the number of Ūkio bankas active clients grew by 28 percent and by year end reached 121 thousand. The major part of the bank's clients consist of private clients and Lithuanian companies involved in different activities, mainly light industry, financial brokerage and trade. The clients appreciated relevant products and services actively presented by the bank, attention to their needs, improved quality of client services.

Continuously improving customer service

Ūkio bankas Contact Centre established in May 2006 with the aim to improve the quality of client service and furnish them with expedient information worked very actively in 2007. Current and prospective clients may call the centre by toll-free line or submit enquiries by e-mail. During the year the average number of calls has doubled and the number of e-enquiries increased by more than 40 percent. In 2007 Contact Centre employees answered almost 30 thousand phone calls and 3.5 thousand e-mails.

Aiming to stress the importance of customer service in 2007 Ūkio bankas again for the second time took part in the campaign Praise Good Service arranged by GerasAptarnavimas.lt. Secret Buyer's Investigation held during the campaign proves that work in this field gives good results. Ūkio bankas was among the ten top companies noted during the campaign.

Ūkio bankas not only attempts to attract new clients but also understands the importance of retaining the existing clients which is a vital prerequisite of efficient expansion and operation. In the light of harsh competition attention to the client and his individual financial needs will become one of the most important competitive advantages in the market. To this end systematic internal training of new and experienced client service specialists was started in 2007 and will continue in the future. The bank also plans to join the Association of Service Quality, strengthen the monitoring of client service and during the next year improve the system of employee motivation based on achieved results. In addition to increased variety and supply of products the bank intends to continue improving client loyalty programs and develop product solutions relevant for different market segments.

Qualitative step in private banking

One of the most important steps of Ūkio bankas in improving customer service in 2007 was the setting up of Private Banking Department. Ūkio bankas was the first in Lithuania to start providing private banking services not only in Vilnius and Kaunas but also in other economically important towns of the country, namely in Klaipėda, Šiauliai, Panevėžys, Marijampolė, Ukmergė, Alytus.

Private Banking Department serves very special clients of the bank - private clients - and renders them all banking and specialized asset management services. Great attention is being paid to investment and saving products, distribution of high-status payment cards, individual account management. The idea of private banking in Ūkio bankas is to find solutions giving maximum return from the client's investment, provide quality consultations on asset management and add value to clients by exceptional service and prompt decision making. Private clients in Ūkio bankas are serviced by top quality specialists – private banking officers – whom the client can address any time on the issues of his/her or family finance.

Ūkio bankas was one of the first banks in Lithuania to come with an idea of private investing not only into standard but also into novelty investment instruments such as art valuables, luxury drinks and the like. Bankers in cooperation with professionals of specific areas provide information to private customers about these types of investment and ensure the necessary contacts.

In the end of 2007 Ūkio bankas together with Vilnius Conference Centre held a conference on private finance and asset management. Finance experts from Switzerland, Lithuania, and Russia overviewed tendencies of private finance and asset management in Lithuania and the world, told the important things to know in order to manage personal finance effectively and make correct investing and asset managing decisions.

Private Banking Department arranges different events for its clients where private finance, investing and other novelties are introduced. Historical premises at 1 Gedimino av. in Vilnius where the department is located hold regular art exhibitions where the clients can obtain valuable pieces of art.

In the nearest future the demand for private banking services will grow in Lithuania for several economic reasons. Clients buying such services in Western Europe will more often turn to Lithuanian banks that provide adequate services at lower fees. The popularity of private banking will grow because of increasing range of services and bigger financial capacity of people.

Never falling importance of investment and saving

In 2007 Ūkio bankas sought to ensure some of the best deposit interest rates in the market to its clients. There were regular campaigns offering the clients to use even better investing and saving opportunities. All these attempts rendered a rapid growth of deposits which grew by LTL 617 million or 29 percent up to LTL 2.73 billion.

Clients who prefer to choose higher risk and potentially higher return on investment are offered to use financial brokerage services at Ūkio bankas: stock trading in Vilnius Stock Exchange, consulting, registration of OTC deals in all branches and units of the bank; securities portfolio management; making repo deals; distribution of investment fund units (Ūkio bankas Bond Fund, Ūkio bankas Rational Investment Fund, Victoire Global Fund). Ūkio bankas intermediates in acquisition of securities on foreign stock exchanges in many countries of Eastern and Central Europe and Scandinavia. In 2007 Ūkio bankas offered its clients to buy securities in Northern European countries, USA, Canada, Japan and other parts of the world.

Ūkio bankas has successfully implemented European Union Directive on markets in financial instruments (MiFID) which came into effect on 1 November 2007. The key goal of the directive is to provide a harmonised regulatory regime for investment services across all EU member states. The basic principles of the directive are increased consumer protection, quality investment services and market transparency.

Having analysed the results of 2007, Central Securities Depository of Lithuania nominated Ūkio bankas as the strongest bank in the category "For leadership in using the settlement link between the Depository and Clearstream Banking Luxembourg". Ūkio bankas received the award for the biggest portfolio value with Clearstream Banking Luxembourg and the biggest number of securities issues. According to the nominal portfolio value Ūkio bankas was ahead of its competitors by 40 percent and 70 percent by the number of securities held.

Wide borrowing opportunities for people and businesses

In 2007 Ūkio bankas actively provided different short-term and long-term lending services to businesses and residents. 2007 witnessed the growth in both nominal and net value of Ūkio bankas loan portfolio. Compared to 2006 the net value of loan portfolio grew by 79.3 percent and by year end amounted to LTL 2.36 million.

In 2007 private clients borrowed more actively and took mortgage loans, loans for acquisition of other property, consumer goods and small business development. To finance their current expense residents can use credit limits in payment card accounts. The number of private clients borrowing from Ūkio bankas increased by 72.8 percent, the net value of loan portfolio compared to the year 2006 grew by 81.9 percent and by year end amounted to LTL 235 million.

In 2007 Ūkio bankas was also very active in business lending offering short-term and long-term credits, credit lines, account overdrafts and factoring services. The clients can also make use of letters of guarantee, surety or credit issued by the bank. During the year of 2007 the net value of Ūkio bankas business loan portfolio increased 2.4 times (135.4 percent) and in year end amounted to LTL 1.58 million (67 percent of the total loan portfolio).

The net value of small and medium enterprise (SME) loan portfolio increased 2.6 times (155.4 percent) and by year end amounted to LTL 1.19 million. In lending to SMEs Ūkio bankas actively cooperates with UAB Žemės ūkio paskolų garantijų fondas (Agricultural Loan Guarantee Fund) and UAB Investicijų ir verslo garantijos (Investment and business guarantees - INVEGA). Ūkio bankas ranked third among Lithuanian banks according to the number of guarantees extended by INVEGA for SME loans in 2007.

In 2007 Ūkio bankas factoring portfolio increased up to LTL 117.1 million. International factoring accounted for more than half (78.54 percent) of the bank's factoring volume (LTL 692.8 million). 2007 witnessed 2.4 times more new factoring agreements made in Ūkio bankas compared to the year 2006. Almost 35.5 thousand VAT invoices were factorized in 2007. Ūkio bankas ranked third in Lithuanian factoring market according to this indicator.

More opportunities with Ūkio bankas payment cards

By the end of 2007 Ūkio bankas had issued over 79 thousand payment cards and this number grew by 73 percent during the year. Debit card portfolio showed the biggest growth with 136 percent increase compared to 2006. The number of issued credit cards grew by 18 percent from 2006. The total turnover of card transactions also continued growing by 146 percent and reached LTL 862.1 million by the end of 2007.

Rapid growth of Ūkio bankas payment card portfolio and card account turnover resulted from new products offered and value adding development of available products. Actively expanded card service network also had positive influence. By year end the bank owned more than 30 ATMs. Besides, the bank clients could cash their cards under the same conditions in ATMs of Sampo-Nordea network. Thus Ūkio bankas offered to its clients a wide card service network of more than 100 ATMs.

In May 2007 Ūkio bankas was one of the first in the market to introduce personalized *Maestro* and *MasterCard* cards, where the client could create individual design of the card using own pictures, photos etc. Ūkio bankas aimed this new service at those clients who are keen on stressing their individuality. The bank took care of technical possibilities that enabled to create a personalized card in a simple and convenient manner.

In the end of November together with *Respublikos leidinių grupė* the bank started issuing a joint card *Maestro Olialia*. It is a debit card having *Maestro* card functionality and a special discount system uniting more than 100 partners who offer discounts from 10 to 100 percent for purchases made by this card.

From the beginning of 2007 Ūkio bankas renewed and expanded the *Security Program* offering to insure money in card account against theft, robbery or unauthorized use. New insurance conditions provide for loss compensation up to LTL 10 000 to be paid by Insurance Company PZU Lietuva to all payment card holders having subscribed to the *Security Program*.

In 2007 Ūkio bankas credit card *MasterCard Standard* ranked first in the payment card rating arranged by the *Veidas* weekly where all debit and credit cards issued by Lithuanian commercial banks were evaluated by certain criteria. 28 cards were rated by 12 criteria. The *Veidas* magazine assessors also gave positive evaluation for high quality service system of the bank (*Veidas*, 12/12/2007, No.50).

Next year Ūkio bankas together with other Lithuanian banks plans to join their ATM networks so Ūkio bankas cardholders will be able to cash their cards all over Lithuania. One of the most important novelties in the bank's plans is issuing VISA system payment cards. They will add to further growth of Ūkio bankas payment card portfolio and enable the bank to increase payment card market share.

Easier and quicker with *Eta bankas*

In the end of 2007 the bank's internet banking system *Eta bankas* had more than 44 thousand users whose number increased by 56 percent during the year.

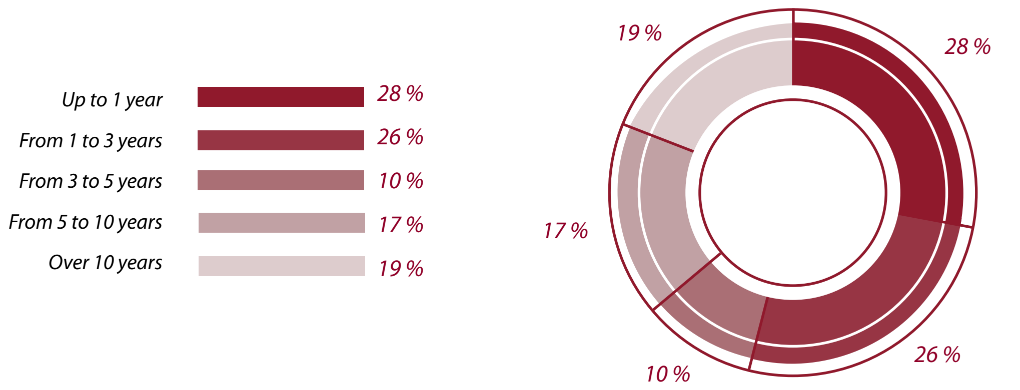
In 2007 Ūkio bankas started active cooperation with electronic stores. In the end of 2007 users of Ūkio bankas internet banking system *Eta bankas* could pay quickly and easily in 24 partner stores. During the next few years the list of e-trading partners will be doubled, Ūkio bankas will continue developing *Eta bankas* system and offer new services and functions to its clients at the same time ensuring the reliability and quality of the system.

ŪKIO BANKAS EMPLOYEES CREATING SUCCESS

Professional employees are one of the most important resources of Ūkio bankas successful performance. Rapid expansion of the last few years resulted in the growing number of employees, whose number in 2007 grew by 25 percent and reached 633 by year end. The forces of loyal bank officers were supplemented by new specialists who brought new ideas and offers. New employees have one week initial training during which they learn about the bank's operations, products offered, work regulations and procedures and all other necessary information. The training helps them to work fluently and efficiently from the very beginning.

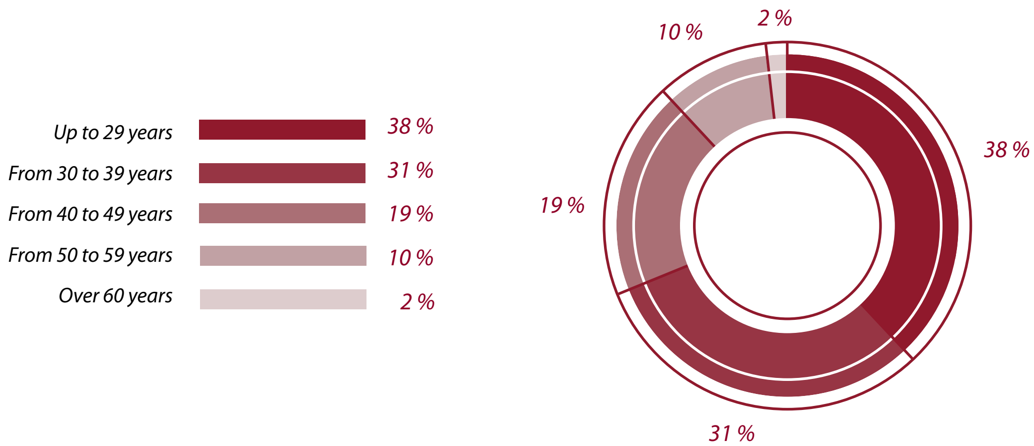
Ūkio bankas is proud of the big group of long-term workers who ensure the consistency and stability of operations. In 2007 there were over 120 officers having worked with Ūkio bankas for 10 years or more.

Distribution of Ūkio bankas employees according to the length of employment



All employees in Ūkio bankas enjoy equal opportunities at work and career making irrespective of their age, sex, nationality or race. In 2007 Ūkio bankas had even 6 representatives of minorities, 75 percent of employees were women. The bank employs people of different age groups and their solid experience complements youthful energy in everyday work pursuing ambitious goals of the bank.

Distribution of Ūkio bankas employees according to the age



Professional development and training of employees is especially encouraged in Ūkio bankas. The biggest number of trainings in 2007 was held in the field of products and sales. 70 percent of all client service specialists and managers attended the training. Great attention is also paid to internal training, which took almost 1.5 thousand hours in 2007. In 2007 about 30 percent employees studied in different higher education institutions. During examination sessions they are granted study leave. In 2007 88 percent of Ūkio bankas employees were graduates from higher and further education institutions, other employees were still studying or had special secondary and vocational education.

To retain good specialists Ūkio bankas has implemented a career planning system, which provides opportunities for the bank employees to realize their ambitions and pursue career goals. There are also individual employee activity plans in line with the bank's strategic plan of operations.

Next year Ūkio bankas plans to continue allocating resources for professional development of the staff and strengthening their motivation. To this end the bank's human resources policy will be revised, employee motivation and adaptation systems will be improved.

ŪKIO BANKAS ACTIVE INVESTOR INTO SOCIETY AND ITS PROGRESS

Established on the eve of Lithuanian independence and having grown together with the country Ūkio bankas for 18 years has been an active and socially responsible community member implementing different charity projects. Culture, sport and education remained the priority areas of Ūkio bankas support in 2007, however with growing global concern about environmental problems and their impact on our everyday life the bank has taken the first steps in environmental support. Providing financial assistance the bank sought to improve our common wealth and support societal development. A requirement was raised to all sponsored projects that the benefit would reach as big number of people as possible and not only in big towns but in the regions too. Having tens of branches and units in Lithuanian towns Ūkio bankas actively supported community initiatives, events, and centres of culture in many smaller places.

Although main sports supported by Ūkio bankas are football and motor sport, other sports such as basketball and chess also received support from the bank. In 2007 the bank continued cooperation with Lithuanian Football Federation, being general sponsor of the Lithuanian National Football Team during the qualifying round of the 2008 European Football Championship. Ūkio bankas regular support goes to Kaunas County Football Support Fund, football and baseball club Kaunas. Attention is also paid to the promotion of children's football with the aim to contribute to the growth of Lithuania's new generation of football professionals and encourage young people to involve in meaningful activities. In addition to direct financial support the bank promotes football by its services too. Ūkio bankas has introduced a unique *MasterCard Football* payment card. Making payments with this card clients support children's football in Lithuania without having any additional expense as the bank transfers 0.15 percent from each transaction to Lithuanian Football Federation to support children's football.

Ūkio bankas maintains long-term cooperation contacts with Kaunas Automobile Club and has been supporting the competition of car rolling down the hill for a number of years. In 2007 the Bank traditionally was among the main sponsors of the rally Kaunas Autumn.

In 2007 Ūkio bankas continued sponsoring projects and cultural organizations promoting and developing national culture and traditions. Ūkio bankas has been the Patron of Lithuania's oldest theatre, Kaunas State Drama Theatre. By giving support Ūkio bankas attempts to contribute to the development and implementation of new ideas in the theatre. Support to the Russian Drama Theatre of Lithuania and the State Small Theatre of Vilnius also continued.

In 2007 traditional Ūkio bankas social activities included a new project as the bank became general sponsor of Mstislav Rostropovich charity and support fund Help Lithuanian Children. A charity and support fund established in Lithuania by the world famous musician and conductor, a famous defender of human rights M. Rostropovich supports and encourages education of the most talented children of our country, provides assistance to children ill with very rare and difficult diseases.

Care for young generation, its activities and development is reflected in many support projects of Ūkio bankas. In 2007 Ūkio bankas signed a sponsorship agreement with Kaunas University of Technology (KTU) where the bank undertook to establish special scholarships for KTU students having achieved high academic results in their studies under applied mathematics undergraduate study program in the Faculty of Fundamental Science. Ūkio bankas will award two scholarships in 2008 and two scholarships in 2009 spring semesters for Applied Mathematics undergraduate study program Business System Mathematical Modelling specialization students. Students will be selected by a special commission made of representatives of the bank and KTU. The winners will be announced at the end of 2008 and 2009 winter sessions.

Ūkio bankas awards also encouraged schoolchildren from Kėdainiai to pursue their goals and study hard. On 15 March 2007 Ūkio bankas Kėdainiai branch marked its 15th anniversary by giving monetary awards to the best studying schoolchildren of the town. At the end of school year 27 best students from all schools of Kėdainiai received awards from Ūkio bankas representatives. Nine 12th grade students received incentive premiums of LTL 500, nine 11th grade students and nine 10th grade students received awards of LTL 300.

Investing into Lithuanian schoolchildren and youth Ūkio bankas aims to encourage them not only to strive for academic heights but also wants to create conditions for them to realize their goals, build life and make career in their native country. In the light of growing emigration Ūkio bankas attempts to assist in creating favourable conditions for young people in Lithuania where young people should be encouraged and supported.

Ūkio bankas employees also personally advocate charity ideas in Lithuania. In 2007 Ūkio bankas became VIP sponsor of International Christmas Charity Fair patronized by the country's First Lady Alma Adamkienė. In addition to financial funding from the bank the bank's employees volunteered helping to calculate and deposit money collected during the fair held in Lithuanian for the fifth time.

Global community is more and more concerned about environmental problems and greenhouse effect impacting all countries, including Lithuania. Businesses also more actively support environmental projects and initiatives. In 2007 Ūkio bankas made the first step in this field undertaking to provide financial and legal assistance for setting up and promoting in Lithuania the international nature protection fund of world known anthropologist professor Birutė Galdikas who is of Lithuanian origin. The fund established in 2008 will sponsor scientific research in environmental field and provide Lithuanian students with an opportunity to do study work in Indonesia. With the aim to present B.Galdikas name and her works to the general public Ūkio will be active member of the fund and will sponsor talented Lithuanian students who want to learn from the acknowledged scientist's experience.

Ūkio bankas cooperates with different universities of the country and also sponsors Lithuanian Free Market Institute.

In 2007 Ūkio bankas kept on aligning the bank's strategies and operation with the UN Global Compact and its ten principles. Ūkio bankas report on the progress made in 2007 in the support of those ten principles is presented on page 101 of this publication.

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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 29 to 87) 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 2007, 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 2007, 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 2007 (page 19 to 28) 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 2007.

Deloitte Lietuva UAB
Torben Pedersen
Partner

Certified auditor Lina Drakšienė
Auditor's Certificate No. 000062

Vilnius, Lithuania
14 March 2008

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

REPORTING PERIOD

The report includes information for the year 2007. All amounts are presented as of 31 December 2007, unless otherwise stated. AB Ūkio bankas can also be referred to as "the Bank", AB Ūkio bankas Group – "the Group".

COMPANIES CONSTITUTING THE GROUP AND THEIR CONTACT DETAILS

As of 31 December 2007, AB Ūkio bankas Group consisted of AB Ūkio bankas (parent company) and 8 subsidiaries listed below:

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 %
UAB Ūkio banko rizikos kapitalo valdymas	Financial intermediation	Kaunas, Lithuania	100 %
OAO Russkij Karavaj*	Real estate and financial intermediation	Moscow, Russia	99 %
RAB Ūkio bank lizing**	Finance lease	Kiev, Ukraine	100 %

* UAB Turto valdymo strategija owns 99% of the shares of OAO Russkij Karavaj.
** UAB Ūkio banko lizingas owns 100% of the shares of RAB Ūkio Bank Lizing.

Contact details of parent company:

Name of the Bank	AB Ūkio bankas
Legal organizational form	Joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania , 19 11 1990
Registration number	112020136
Head Office address	Maironio str. 25, LT-44250 Kaunas, Republic of Lithuania
Telephone number	+370 37 301 301
Fax number	+370 37 323 188
E-mail address	ub@ub.lt
Website	www.ub.lt

Contact details of UAB Ūkio banko lizingas:

Name of the Subsidiary	UAB Ūkio banko lizingas
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania , 14 07 1997
Registration number	234995490
Head Office address	Donelaičio str. 60, LT-44248 Kaunas, Republic of Lithuania
Telephone number	+370 37 407 200
E-mail address	info@ubl.lt
Website	www.ubl.lt

Contact details of UAB Turto valdymo sistemos:

Name of the Subsidiary	UAB Turto valdymo sistemos
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania , 14 06 2004
Registration number	300033722
Head Office address	J.Gruodžio str. 9, LT-44293 Kaunas, Republic of Lithuania
Telephone number	+370 37 301 362
E-mail address	e.sankuniene@ub.lt

Contact details of UAB Turto valdymo sprendimai:

Name of the Subsidiary	UAB Turto valdymo sprendimai
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania , 14 06 2004
Registration number	300033747
Head Office address	J. Gruodžio str. 9, LT–44293 Kaunas, Republic of Lithuania
Telephone number	+370 37 301 362
E-mail address	e.sankuniene@ub.lt

Contact details of UAB Turto valdymo strategija:

Name of the Subsidiary	UAB Turto valdymo strategija
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania , 14 06 2004
Registration number	300033715
Head Office address	J. Gruodžio str. 9, LT–44293 Kaunas, Republic of Lithuania
Telephone number	+370 37 301 362
E-mail address	e.sankuniene@ub.lt

Contact details of UAB Ūkio banko investicijų valdymas:

Name of the Subsidiary	UAB Ūkio banko investicijų valdymas
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania , 03 04 2006
Registration number	300556509
Head Office address	J. Gruodžio str. 9, LT–44293 Kaunas, Republic of Lithuania
Telephone number	+370 37 301 390, +370 37 395 526
E-mail address	fondai@ub.lt
Website	www.ub.lt

Contact details of UAB Ūkio banko rizikos kapitalo valdymas:

Name of the Subsidiary	UAB Ūkio banko rizikos kapitalo valdymas
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania , 26 06 2007
Registration number	300890619
Head Office address	J. Gruodžio str. 9, LT–44293 Kaunas, Republic of Lithuania
Telephone number	+370 37 395 550, +370 6 867 4002
E-mail address	info@ubrkv.lt
Website	www. ubrkv.lt

Contact details of OAO Russkij Karavaj:

Name of the Subsidiary	OAO Russkij karavaj
Legal organizational form	Joint-stock company
Registration date and place	State Enterprise Moscow Registers Centre, Russian Federation, 18 01 1993
Registration number	021.349
Head Office address	Sretenka str. 18, 107045 Moscow, Russian Federation

Contact details of RAB Ūkio bank lizing:

Name of the Subsidiary	LLC Ūkio bank lizing
Legal organizational form	Limited liability company
Registration date and place	State administration of Sevcenko district, Kiev, Ukraine, 13 02 2006
Registration number	34003114
Head Office address	Artema 14A-43, Kiev, 04053, Ukraine
Telephone number	+38 044 502 8310
E-mail address	ubl-ukraine@ubl.lt
Website	www.ubleasing.kiev.ua

MAIN ACTIVITIES OF THE GROUP

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

The description of the main activities of AB Ūkio bankas subsidiaries have been provided on the previous page.

AGREEMENTS WITH MARKET INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

AB Ūkio bankas has entered into service agreements with the following intermediaries of public trading in securities:

Intermediary	Address	Nature of the agreement
AB DnB NORD Bankas	J. Basanavičiaus str. 26, Vilnius	Securities account handling agreement
AB bankas HansaBankas	Savanorių ave. 19, Vilnius	Securities custody and account handling an agreement
AB bankas HansaBankas	Savanorių ave. 19, Vilnius	Brokerage service agreement
AB SEB bankas	Gedimino ave. 12, Vilnius	Securities account handling agreement
AB Parex bankas	Kražių str. 21, Vilnius	Agreement on the accounting, custody, and lending of securities and monetary funds and on acceptance and execution of orders
UAB FMĮ Finbaltus	Ukmergės str. 41-660, Vilnius	Securities accounts servicing agreement
AB FMI Finasta	Ukmergės str. 41-510, Vilnius	Agreement on the accounting, custody, and lending of securities and monetary funds and on acceptance and execution of orders
Nova Banka A. D. Bijeljina	Banja Luka, Srpska Republika	Brokerage service agreement
Balkan Investment Bank AD – Balkan Investment Broker	Krajiških brigada br. 2, Banja Luka, Srpska Republika	Brokerage service agreement
Troika Dialog (Bermuda) Limited	Chancery Hall 52 Reid Street, Hamilton HM 12 Bermuda	Intermediation and brokerage service agreement
Deutsche Bank AG London	Winchester House, 1 Great Winchester Street, London	Securities custody agreement
OAO Bank Zenit	Banij per. 9, Moscow	Agreement on the performance of operations on the securities market
Erste Bank Befektetesi Rt.	Madach Imre u. 13-15, Budapest	Brokerage agreement
SC Parex Asset Management	Basteja Boulevard 14, Riga, Latvia	Agreement on investment portfolio management
AS LHV Financial Advisory Services	Tartu mnt 2, Tallinn	Agreement on investment services
SG Private Banking	Rue de la Corraterie 6, Case postale 5022, 1211 Geneve 11	Agreement on securities custody and brokerage service
Credit Suisse	Uetlibergstrasse 231, Postfach 100, Zurich, Switzerland	Agreement on securities custody and brokerage service

TRADING IN THE BANK'S SECURITIES ON STOCK EXCHANGES

AB Ūkio bankas securities are traded on Vilnius Stock Exchange (VSE) (http://www.lt.omxgroup.com/) Main List.

ISSUED SHARE CAPITAL AND ITS STRUCTURE

As of 31 December 2007 the issued share capital of the Bank amounted to LTL'000 196,708 (one hundred and ninety six million seven hundred and eight thousand) and it was divided into 196,708,000 (one hundred and ninety six million seven hundred and eight thousand) ordinary registered shares. The nominal value of one share is LTL 1 (one).

All shares are fully paid. The rights of all the shares are equal, there are no restrictions on the share disposal.

As of 31 December 2007 the Bank had two subordinated loans in amount of LTL'000 8,055 denominated in USD which could be converted to newly issued shares on the maturity date (1 July 2009 and 7 January 2010, respectively).

RESTRICTIONS ON SECURITIES TRANSFER

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

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

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

SHAREHOLDERS

As of 31 December 2007 there were 10,083 Bank's shareholders, who were holding 196,708,000 shares. The nominal value of each AB Ūkio bankas ordinary registered share was LTL 1.

Over 5% of the registered authorized capital of the Bank was owned by the following shareholders (31 December 2007):

Shareholder's corporate name/ full name	Shareholder's code	Address	Shares held under the property right, number/percentage of authorized capital, %	Votes held under the property right, number/percentage of votes, %	Votes held in concert with other persons, number/ percentage of votes, %
Romanov Vladimir	–	Trakų str. 5-11, Kaunas, Lithuania	64,809,784/ 32.9472 %	64,809,784/ 32.9472 %	64,809,784/ 32.9472 %
UAB FMĮ Finbaltus	122020469	Konstitucijos ave. 23-660, Vilnius, Lithuania	15,968,164/ 8.1177 %	15,968,164/ 8.1177 %	15,968,164/ 8.1177 %
Romanova Zinaida	–	Putvinskio str. 41-1, Kaunas, Lithuania	14,902,868/ 7.5761 %	14,902,868/ 7.5761 %	14,902,868/ 7.5761 %
UAB Universal Business Investment Group Management	210869960	Donelaičio str. 60, Kaunas, Lithuania	14,902,341/ 7.5759 %	14,902,341/ 7.5759 %	14,902,341/ 7.5759 %
Other:			86,124,843/ 43.78 %	86,124,843/ 43.78 %	86,124,843/ 43.78 %
Total:			**196,708,000/ 100.00 %**	**196,708,000/ 100.00 %**	**196,708,000/ 100.00 %**

- There are no shareholders of AB Ūkio bankas acting in concert;
- Bank has no shareholders having special control rights;
- Bank does not have any information on any restrictions of voting rights;
- Bank does not have any information on any reciprocal agreements of shareholders because of which restrictions upon securities and voting rights transfer can be applied.

EMPLOYEES OF THE BANK

AB Ūkio bankas employee groups and average monthly salary in each group are presented in the table below:

	Average number of employees			Of these with higher education			Average monthly salary (before taxes, in LTL)		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Managing employees	90	75	80	83	73	78	9,932	8,436	5,465
Specialists	442	348	291	360	278	212	2,848	2,432	1,992
Other employees	31	26	26	3	3	3	2,358	1,935	1,667
Total:	**563**	**449**	**397**	**446**	**354**	**293**	**3,953**	**3,411**	**2,740**

RULES GOVERNING THE STATUTE CHANGE OF THE BANK

The annual shareholders meeting can, by a qualified majority of votes, that can not be less than 2/3 of all the possible votes of shareholders that are attending the meeting, make a decision to change the Bank's statute. There are exceptions to this general rule that are put down in the Law Governing Joint-Stock Companies of the Republic of Lithuania.

Changes of the Banks statute can only be registered at the judicial persons registrar after receiving a permission to do so from a supervising institution, if the changes are made about: 1) The Name or the Principal registered office of the Bank; 2) The size of the authorized capital; 3) The number of shares, also about the number of each type of shares, their par value and the rights they grant; 4) The competence of the bodies of the Bank, the order of electing and deposing their members.

Permission to register changes in the Bank's statute is given by a supervising institution, following the rules, mentioned in the Bank Law of the Republic of Lithuania and in law acts of the supervising institution itself. If the Bank wants to receive the permission to register the changes in the statute, it is required to give a request to the supervising institution along with other documents and data that are required by the law acts of that institution. If changes in the statute are related with increase of authorized capital of Bank, documents and data ought to be provided that are mentioned in section 8, parts 2, 6 and 7 of the Law on the Banks of the Republic of Lithuania.

Changes in the statute cease to exist if they are not given to the judicial persons' registrar within 12 months from the signing of the changes or from the moment when the annual shareholders meeting decides to change the statute.

BODIES OF THE BANK

The bodies of AB Ūkio bankas are the General Meeting of Shareholders, the Supervisory Council of the Bank, the Board of the Bank and the Head of Administration of the Bank (CEO). The managing bodies of the Bank are the Board of the Bank and the Head of Administration of the Bank.

The General Meeting of Shareholders is the supreme body of the Bank. The right of participating at the General Meeting is vested in the shareholders of the Bank whereas the Board members and the administration staff who are not the shareholders can also attend the General Meeting with the right of deliberative vote.

The Supervisory Council of the Bank is a collective body conducting the supervision over the Bank's activities. The Supervisory Council of the Bank is formed of 7 members elected by the General Meeting of Shareholders for a 4-year term.

The Board of the Bank is a collective body of the Bank's management. The Board of the Bank directs the Bank, manages its matters, represents it and is responsible for the fulfillment of the Bank's operations according to laws. The Board of the Bank consisting of 5 members is elected by the Supervisory Council of the Bank for a term not exceeding 4 years.

Head of Administration in the Bank (CEO) manages and administrates of the Bank. The Head of the Bank Administration is an individual body of the Bank's management. The Head of Administration is elected by the Board of the Bank.

MEMBERS OF MANAGING BODIES

As of 31 December 2007 members of AB Ūkio bankas managing bodies, commencement and end of their office term, participation in the share capital are presented in the table below:

Full name	Position	Number of shares held	Percentage of Bank capital, %	Percentage of votes, %
SUPERVISORY COUNCIL OF THE BANK				
Varanavičius Liutauras (elected 24 March 2006, office term expires in 2010)	Chairman	5,722	0.0029	0.0029
Lowenhav Ulf (elected 24 March 2006, office term expires in 2010)	Deputy Chairman	2,229	0.0011	0.0011
Gončaruk Olga (elected 24 March 2006, office term expires in 2010)	Member	3,725,475	1.8939	1.8939
Jakavičienė Gražina (elected 24 March 2006, office term expires in 2010)	Member	42,326	0.0215	0.0215
Kurauskienė Ala (elected 24 March 2006, office term expires in 2010)	Member	324,100	0.1648	0.1648
Soldatenko Viktor (elected 24 March 2006, office term expires in 2010)	Member	2,229	0.0011	0.0011
Butkus Leonas Rimantas (elected 24 March 2006, office term expires in 2010)	Member	2,229	0.0011	0.0011
BOARD OF THE BANK				
Karpavičienė Edita (appointed 24 March 2006, office term expires in 2010)	Chairwoman, Deputy CEO	135,999	0.0691	0.0691
Ugianskis Gintaras (appointed 24 March 2006, office term expires in 2010)	Deputy Chairman, CEO	57,959	0.0295	0.0295
Balandis Rolandas (appointed 24 March 2006, office term expires in 2010)	Member, Head of International Banking Division	44,100	0.0224	0.0224
Žalys Arnas (appointed 24 March 2006, office term expires in 2010)	Member, Head of Finance Division	35,810	0.0182	0.0182
Grigaliauskas Antanas (appointed 24 March 2006, office term expires in 2010)	Member, Director of UAB Ūkio banko rizikos kapitalo valdymas	79,896	0.0406	0.0406
CHEIF ACCOUNTANT				
Petraitienė Vidutė Since 01 July 1999 to present	Head of Accounting Department – Chief Accountant	503	0.0003	0.0003

INFORMATION ABOUT THE AGREEMENTS PART OF WHICH IS THE BANK

There are no significant agreements that could come into force, change or terminate due to the change of the Bank's control except of the cases when the disclosure of agreements could cause harm to the Bank because of their nature.

The Bank does not have any information about agreements of it, its management bodies' members or employees, providing for compensation in case of their resignation, unfair dismissal or termination of their employment due to the change of the Bank's control.

RELATED PARTIES TRANSACTIONS

The information on related parties transactions for the year ended 31 December 2007 is presented in Note 38 to the financial statements.

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

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

At the end of 2007 AB Ūkio bankas ranked 5th by capital and 7th by assets among the banks in Lithuania. In 2007 the Bank's assets increased by LTL 994 million (33%) and as of 31 December 2007 amounted to LTL'000 4,019,358. In 2007, the assets of the Group increased by LTL 1,125 million (35%) and as of 31 December 2007 amounted to LTL'000 4,327,619.

Authorized share capital of the Bank and the Group was increased by LTL 20 million (11%) in 2007 and amounted to LTL'000 196,708 at the year-end. The share capital comprised of 196,708,000 ordinary shares with a par value of LTL 1 each.

As of 31 December 2007, the Bank had 12 branches and 40 client service departments in Lithuania and 3 representative offices in foreign countries (Russia, Ukraine and Kazakhstan). During the year 2007, 6 new client service departments were opened. In addition, the Bank, directly and indirectly, has 8 subsidiaries. In 2007, the Bank has established a subsidiary UAB Ūkio banko rizikos kapitalo valdymas.

As of 31 December 2007, 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, UAB Ūkio banko investicijų valdymas and UAB Ūkio banko rizikos kapitalo valdymas.

For the year ended 31 December 2007 the Group's results by business segments are presented in the table below:

The Group	2007				
	Banking	Finance lease	Other activities	Elimination	Group
Net result for the year	**82,724**	**2,726**	**(7,609)**	**(490)**	**77,351**
Attributable to:					
Equity holders of the parent	*82,724*	*2,726*	*(7,501)*	*(490)*	*77,459*
Minority interest	–	–	*(108)*	–	*(108)*
Assets	4,019,358	314,050	689,250	(695,039)	4,327,619
Liabilities	3,589,047	300,966	551,046	(630,247)	3,810,812

The main risks the Group and the Bank primarily face are credit, market, liquidity and operational risks. The Group seeks to keep optimal level of risk while maximizing its profits so that unexpected changes in economic environment, fluctuations in market variables, unexpected incidents in the Group's internal processes and systems would not result in threatening the stable operations of the Group, partners' trust in the Group or compliance with prudential requirements.

Detailed information on main risks as well as on compliance with prudential requirements for the year ended 31 December 2007 is presented in Notes 30-37 of the financial statements.

ANALYSIS OF FINANCIAL AND NON-FINANCIAL ACTIVITY RESULTS

Year 2007 was very successful both to AB Ūkio bankas and AB Ūkio bankas Group. In 2007 the management of AB Ūkio bankas successfully implemented strategic plans of the Bank's and the Group's development and main goals set by shareholders.

The results of the Bank's activity for the year ended 31 December 2007: net profit of LTL 82,724 million – i.e. by 75 percent more than in the year 2006. AB Ūkio bankas Group earned net profit of LTL 77,351 million in 2007 – i.e. by 78 percent more than in the year 2006. In 2007 the Bank's assets increased by LTL 994 million (33 percent) and made LTL 4.0 billion at the year-end. In 2007 the assets of the Group increased by LTL 1,125 million (35 percent) and made LTL 4.3 billion at the year-end. The main financial indicators of the Group and the Bank (in LTL thousand unless stated otherwise) are presented in the table below:

Group's indicators					Bank's indicators			
2007	2006	Increase LTL'000	Increase %		2007	2006	Increase LTL'000	Increase %
259,227	193,366	65,681	34	Operating profit	237,052	175,718	61,334	35
148,333	94,525	53,808	57	Operating expenses	129,074	80,070	49,004	61
110,894	98,841	12,053	12	Profit before provisions and income tax	107,978	95,648	12,330	13
17,522	43,264	(25,742)	(59)	Provision expense	11,014	38,923	(27,909)	(72)
93,372	55,577	37,795	68	Pre-tax profit	96,964	56,725	40,239	71
16,021	12,092	3,929	32	Income tax	14,240	9,342	4,898	52
77,351	43,485	32,108	74	Net profit	82,724	47,383	35,341	75
(108)	(3,226)	3,118	(97)	Net profit attributable to minority interest	–	–	–	–
77,459	46,711	30,748	66	Net profit attributable to the shareholders of the Bank	82,724	47,383	35,341	75
4,327,619	3,202,478	1,125,141	35	Assets	4,019,358	3,025,221	994,137	33
2,144,896	995,304	1,149,592	116	Loans and finance lease receivable	1,818,467	801,852	1,016,615	127
2,733,995	2,117,356	616,639	29	Due to customers	2,733,995	2,117,356	616,639	29
516,807	386,253	130,554	33	Equity	430,311	285,582	144,729	51
196,708	176,708	20,000	11	Number of ordinary shares in issue at the end period (thousands units)	196,708	176,708	20,000	11
184,598	152,050	32,548	21	Weighted average numbers of ordinary shares in issue (thousands units)	184,598	152,050	32,548	21
2.06	1.56	–	–	Return on assets,%	2.35	1.82	–	–
17.15	14.01	–	–	Return on equity, %	23.11	21.79	–	–
0.64	0.71	–	–	Expense / Income before income tax	0.59	0.68	–	–
0.42	0.31	–	–	Basic earnings per share (in LTL)	0.45	0.31	–	–
0.42	0.30	–	–	Diluted earnings per share (in LTL)	0.45	0.31	–	–

The main indicators of activity:

- Year 2007 is the most successful year in the history of the activities of the Group and the Bank. In 2007 Ūkio bankas Group earned net profit of LTL 77.351 million in 2007 – i.e. by 78 percent more than in the year 2006;
- The progress of AB Ūkio bankas was noted by rating agencies: in February 2007 Moody's upgraded ratings of Ūkio bankas to Ba3/NP, in September 2007 Standard&Poor's assigned ratings of BB/B;
- In 2007 the Bank opened 6 new client service departments. At 31 December 2007 the Bank's service network consisted of 52 outlets – 12 branches and 40 client service departments. In addition as of 31 December 2007 the Bank had 3 representative offices in Kiev (Ukraine), Moscow (Russia) and Almaty (Kazakhstan);
- In 2007, the Bank established a 100 percent owned subsidiary UAB Ūkio banko rizikos kapitalo valdymas, which specializes in financing of investments into venture capital;
- As of 31 December 2007 the Bank had 121 thousand customers – i.e. an increase of 28 percent during 2007. Number of operations also increased – for example, number of local payments performed by customers increased by 21%;
- The Bank's solo 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 2007 UAB Ūkio banko lizingas had 176 thousand customers – i.e. the number of customers increased by 7 percent during the year;
- In 2007 compared to previous year, income earned by the Group increased by 34 percent and made LTL 259 million. The Group's expenses before provisions and income tax increased by 57 percent and made LTL 148 million;
- In November 2007 the Bank received a syndicated loan of EUR 48 million (LTL 166 million) from 21 banks;

In Q3 2007 the Bank successfully issued a new share emission with a nominal value of LTL 20 million. It was sold with LTL 42 million share surplus. In December 2007 a subordinated loan of EUR 27 million (LTL 93 million) eligible for inclusion in the Bank's Tier 2 capital was received. The share issue, excellent activity results, subordinated loan received has strengthened the capital base of AB Ūkio bankas Group and laid grounds to further growth of the Group. In 2007, the Group's capital adequacy ratio increased from 13.33 percent in the beginning of the year up to 14.83 percent in the year-end.

Credit ratings

On 24 February 2007 the international rating agency Moody's upgraded ratings of Ūkio bankas up to:

- Deposit rating Ba3/NP (previously B1/NP);
- Financial strength rating D- (previously E+).

The outlook of both ratings is stable.

On 7 September 2007 the international rating agency Standard&Poor's for the first time assigned ratings to Ūkio bankas:

- Long-term counterparty credit rating BB.
- Short-term counterparty credit rating B.

The outlook for both ratings is stable.

Income and expenses

As compared to previous year, net income of AB Ūkio bankas Group increased by LTL 66 million or 34 percent up to LTL 257 million. Growth of interest-earning assets and changes in their structure caused net interest income growth by 51% up to LTL 118 million. Net interest income comprised the largest share of the Group's income – i.e. 46%. Increased number and activity of customers caused the growth of net service fee and commission income by 30% up to LTL 104 million, i.e. 40% of the Group's income. Trading income decreased by 6% and made LTL 30 million i.e. 12% of the Group's income, other income increased by 111% and amounted to LTL 7 million i.e. 3% of the Group's total income. Income structure of the Group and the Bank (in LTL thousand) is presented in the table below:

Group				Item	Bank			
2007	2006	Growth			2007	2006	Growth	
		LTL'000	%				LTL'000	%
117,807	78,011	39,796	51	Net interest income	98,520	56,373	42,147	75
104,238	80,259	23,979	30	Net service fees and commission income	106,043	82,769	23,274	28
29,816	31,599	(1,783)	(6)	Trading income	28,446	33,586	(5,140)	(15)
7,366	3,497	3,869	111	Other income	4,043	2,990	1,053	35
259,227	**193,366**	**65,861**	**34**	**Total income**	**237,052**	**175,718**	**61,334**	**35**

Intensive expansion of AB Ūkio bankas Group, increase in assets and service network, increased number of customers and operations caused the increase in the Group's operating expenses in 2007 by LTL 54 million to LTL 148 million. 30% of these expenses consisted of staff expenses, which increased by LTL 13 million to LTL 45 million. Provision expenses decreased by 59% down to LTL 18 million, income tax expenses increased by 34% up to LTL 16 million.

Assets, liabilities and equity

During 2007 the Group's assets increased by LTL 1.13 billion, i.e. 35%, and amounted to LTL 4.33 billion at the year-end. Largest share of the Group's assets – i.e. 50% consisted of loans and finance lease receivables from customers, which increased 2.2 times from the beginning year and amounted to LTL 2.14 billion as of 31 December 2007. Due from banks and other financial institutions comprised 19% of the Group's assets as of 31 December 2007. During 2007 they decreased by LTL 73 million. Securities portfolio at the end of 2007 amounted to LTL 0.62 billion, i.e. 15% of the Group's assets at the year-end.

The largest share of the Group's liabilities – i.e. 72% - consisted of deposits from customers, which increased by LTL 617 million or 29% during 2007 and amounted to LTL 2.73 billion at the year-end. Due to banks and other financial institutions, which comprised 19% of the Group's liabilities, increased by LTL 129 million or 22% during 2007 and amounted to LTL 0.72 billion at the year-end. Reception of the 10-year term subordinated loan in 2007 caused the increase of subordinated loans by LTL 93 million to LTL 0.10 billion, i.e. 3% of Group's liabilities at the year-end.

The Group's equity showed further increase by 34% and amounted to LTL 516 million at the year-end. The biggest contributions to the growth of equity in 2007 were from profit earned and new stock issue.

INFORMATION ON ACQUIRED OR DISPOSED OF OWN SHARES

During the year 2007 the Bank did not acquire or dispose own shares.

SIGNIFICANT EVENTS THAT HAPPENED AFTER THE END OF FINANCIAL YEAR

In the opinion of the management, no significant events happened after the end of financial year to the date the report is signed.

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

In 2008, AB Ūkio bankas Group plans further expansion in Lithuania and abroad, to assure efficient, rational and profitable activity.

In 2008 AB Ūkio bankas plans to earn net unconsolidated profit of LTL 91.5 million. It is planned that the Bank's assets will reach LTL 5.47 billion at the year-end 2008 – i. e. will increase by 36 percent. The main presumptions behind the Bank's plan are as follows:

- the number of customers of Ūkio bankas will increase by 25 percent, number of operations – by 12 percent. It is expected to attract 30 thousand new customers.
- planned realization of the investment to real estate in Moscow project influences bank's results of year 2008 only as much as constitutes the interest income from loans granted to subsidiaries for financing this project.
- it is planned that in 2008 two branches in foreign countries will start their operations. Branch network in Lithuania will increase by not less than 5 new client service units.
- there will be no changes in the economy of Lithuania that would result in material change in LTL interest rates or unplanned growth of insolvent customers.

It is projected that in 2008 all the subsidiaries of the Bank will improve their activity results, increase efficiency and contributions to the Group's profit.

INFORMATION ON PUBLICLY PRESENTED INFORMATION

25 January 2007	Based on non-audited data, in 2006 Ūkio bankas earned profit of LTL 42.5 million (EUR 12.3 million). Non-audited profit of Ūkio bankas Group of the yr. 2006 is LTL 45.8 million (EUR 13.3 million). In the year 2007 Ūkio bankas plans to earn net profit of LTL 61.4 million (EUR 17.8 million);
26 January 2007	Ūkio bankas informs that the Board has adopted the decision to increase the life insurance company Bonum publicum shareholding, held by the Bank, up to 100 percent. In the sitting of the Management Board of AB Ūkio bankas as of 25 January 2007 was decided: a) Ūkio bankas Group will increase its shareholding in the life insurance company Bonum publicum up to 100 percent by acquiring a 6,409-share interest (80.01% of the share capital); b) In the nearest future an application for all authorizations to acquire securities of the insurance company prescribed by legislation will be filed with responsible institutions;
15 February 2007	Upon the Board's decision, the Ordinary General Meeting of AB Ūkio bankas shareholders will be convened on 22 March 2007.The Bank's Board has approved the agenda of the meeting;
23 February 2007	Amendment to agenda of Ordinary General AB Ūkio bankas Shareholders meeting made;
9 March 2007	Draft resolutions of General Meeting prepared by the Board;
20 March 2007	The Board of AB Ūkio bankas informs that if the right to set up the final price of the new share emission will be given to the Board by the General Meeting of shareholders, which will be held on 22 March 2007, the price will be set up according to this order: 1. the arithmetic mean of the last 20 trading sessions on Vilnius Stock Exchange will be calculated; 2. the arithmetic mean set, by the Board decision can be reduced by not more than by 40 percent, and the figure calculation should be rounded down to hundredth according to mathematical rounding rules;
22 March 2007	Announced resolutions of the Ordinary General Meeting of AB Ūkio bankas shareholders;
11 April 2007	In the first quarter of 2007, Ūkio bankas earned LTL 14.5 million (EUR 4.2 million) of non-audited net profit;
2 May 2007	In the first quarter of 2007, Ūkio bankas group earned consolidated unaudited net profit of LTL 11.8 million (EUR 3.4 million). Main factors that caused the growth of the profit of the bank and the group during the first quarter were increased volume of assets and growth in number of customers and operations;
11 June 2007	Ūkio bankas reports the profit of LTL 28.4 million (EUR 8.2 million) for the 5-month period of 2007;
15 June 2007	Ūkio bankas Board set the price of new issue of 20 million ordinary registered shares of the par value of LTL 1 each. The share of the par value of 1 litas will be offered at the price of LTL 3.10. The offering of the new issue shares will start on 18 June; Share offering will be commenced on 18 June and will be held in 3 stages. A 15-day term from the beginning of the offering has been set for the Bank's shareholders to exercise their right of pre-emption to acquire the newly issued shares in proportion to the number of shares held by them on the day of the meeting of 22 March 2007. After the term set for the shareholders to exercise their right of pre-emption is over, all other investors will be able to apply for, subscribe to and acquire the Bank's shares in proportion to the number of shares specified in their application during the second stage from 8 to 11 July. Members of the Bank's Board and Supervisory Council will have the right to acquire the remaining shares, if any, in proportion to the submitted applications during the third stage from 20 to 22 July;
21 June 2007	Ūkio bankas sets up the subsidiary UAB Ūkio banko rizikos kapitalo valdymas;
3 July 2007	AB Ūkio bankas announced about increasing of the shareholding up to 100 of GD UAB Bonum publicum stock;

3 July 2007	AB Ūkio bankas informed about the Board of Ūkio bankas decision to approve the decision of the Bank's subsidiary UAB Turto valdymo strategija to acquire AAB Ruskij karavaj's new issue of 14.5 million ordinary registered shares for the total of 58,000,000 rubles and in this way increase its shareholding to 99.03 percent;
13 July 2007	AB Ūkio bankas announced non-audited net profit of the first half of year 2007 - LTL 50.0 million (EUR 14.5 million). Main reasons that caused faster than planned increase of the profit of AB Ūkio bankas are: increased volume of assets; increased number of customers and operations; reversal of provisions formed against several large positions;
23 July 2007	AB Ūkio bankas announced that offering of new issue of ordinary registered shares of LTL 20 million (EUR 5.79 million) has been completed. 20 million of shares at the par value of LTL 1 (EUR 0.29 EUR) were subscribed and paid in full: - 18,669,980 shares were subscribed and paid in Stage 1; - 1,303,264 shares were subscribed and paid in Stage 2; - 26,756 shares were subscribed and paid in Stage 3; Subscribed and paid shares will be issued to investors after amendments of the Bank's articles of association in relation to the increase of the authorized capital are registered as provided for by the Law and the shares are entered into the issuer's AB Ūkio bankas books;
31 July 2007	AB Ūkio bankas announced the Group is consolidated unaudited net profit of first half of year 2007 - LTL 45.1 million (EUR 13.1 million);
10 August 2007	AB Ūkio bankas announced unaudited net profit of the first seven months of year 2007 - LTL 55.4 million (EUR 16.0 million);
10 August 2007	AB Ūkio bankas announced that Statute with increased authorized share capital has been registered with the Register of legal entities. After increase the Bank's authorized share capital amounts to LTL 196 708 00 (EUR 56.97 million). One share has a nominal value of LTL 1 (EUR 0.29);
7 September 2007	AB Ūkio bankas informed that international rating agency „Standard&Poor's" for the first time assigned its ratings to AB Ūkio bankas: it received the 'BB' long- and 'B' short-term counterparty credit ratings. The outlook for both ratings is stable;
10 September 2007	AB Ūkio bankas announced year 2007 eight months result and revised annual forecast. AB Ūkio bankas unaudited net profit of first eight months of year 2007 is LTL 61.3 million (EUR 17.8 million). Revised profit forecast of AB Ūkio bankas for the year 2007 is LTL 82 million (EUR 23.7 million);
10 October 2007	AB Ūkio bankas announced unaudited net profit of first nine months of year 2007 - LTL 68.3 million (EUR 19.8 million);
31 October 2007	AB Ūkio bankas Group consolidated results of nine months of year 2007 were announced. AB Ūkio bankas Group consolidated unaudited net profit of nine months of year 2007 is LTL 61.5 million (EUR 17.8 million);
10 November 2007	AB Ūkio bankas announced unaudited net profit of first ten months of year 2007 - LTL 73.6 million (EUR 21.3 million);
21 November 2007	AB Ūkio bankas announced that a facility agreement was signed, according to which a syndicated loan for EUR 48 million (LTL 165.7 million) will be extended to AB Ūkio bankas. Mandated lead arrangers to syndicated loan: Bayerische Landesbank and HSH Nordbank AG. Participants to syndicated loan: Bayerische Landesbank, HSH Nordbank AG, Commerzbank AG, Landesbank Baden-Württemberg, Raiffeisen Zentralbank Österreich AG, State Bank of India, Dresdner Bank AG, Intesa Sanpaolo SpA, Israel Discount Bank of New York, Landesbank Berlin AG, National Bank of Egypt (UK) Limited, The Shanghai Commercial and Savings Bank Ltd, Banque BIA, BPN - Banco Portugu_s de Negócios, S.A., BRE Bank SA, Landesbank Saar, Oberbank AG, Raiffeisenlandesbank Kärnten, JSC Trasta Komercbanka, UBI Banca International S.A., Unicredito Italiano S.p.A. Maturity of syndicated loan – 1 year;
10 December 2007	AB Ūkio bankas announced that a subordinated loan of EUR 27 million (LTL 93.23 million) has been provided to the Bank. Maturity of the loan – 10 years. Type of the loan – fixed-floating rate subordinated notes;
10 December 2007	AB Ūkio bankas informed that unaudited net profit of first eleven months of year 2007 is LTL 78.9 million (EUR 22.8 million);
19 December 2007	AB Ūkio bankas informed that a subordinated loan of EUR 27 million provided to the Bank will be included into Tier 2 capital. On 19 December 2007 the Board of the Bank of Lithuania permitted AB Ūkio bankas to include into Tier 2 capital a ten year subordinated loan provided to the Bank by the subscription of fixed-floating rate subordinated notes;

All notifications provided should 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, the Lithuanian Securities Commission, and Vilnius Stock Exchange. Bank's notifications are also available on AB Ūkio bankas website www.ub.lt.

Edita Karpavičienė
Chairwoman of the Board

Kaunas, Lithuania
14 March 2008

BALANCE SHEETS
31 December 2007

LTL thousands

	Notes	The Group 2007	The Group 2006	The Bank 2007	The Bank 2006
ASSETS					
Cash and balances with central bank	5	202,382	214,723	202,381	214,723
Loans and advances to banks and other financial institutions	6	817,702	890,837	1,224,355	1,280,205
Financial assets designated at fair value through profit or loss	7	197,818	363,071	197,487	363,071
Loans and finance lease receivable	8	2,144,896	995,304	1,818,467	801,852
Investment securities:					
available-for-sale	9	*33,765*	*35,908*	*31,281*	*32,982*
held-to-maturity	9	*394,857*	*261,930*	*393,694*	*261,916*
Investments in subsidiaries	10	–	–	6,500	4,600
Intangible assets	11	6,471	5,280	2,347	1,220
Property, plant and equipment	12	353,424	352,537	23,424	19,532
Investment property	12	22,318	18,813	13,730	11,483
Other assets	13	103,413	64,075	69,098	33,637
Assets classified as held for sale	14	50,573	–	36,594	–
Total assets:		**4,327,619**	**3,202,478**	**4,019,358**	**3,025,221**
LIABILITIES AND EQUITY					
LIABILITIES					
Due to banks and other financial institutions	15	719,000	589,524	698,077	581,547
Due to customers	16	2,733,995	2,117,356	2,733,995	2,117,356
Subordinated loans	17	101,784	8,563	101,784	8,563
Deferred income tax liabilities	27	39,937	42,364	3,081	2,863
Other liabilities	18	195,732	58,418	52,110	29,310
Liabilities directly associated with assets classified as held for sale	14	20,364	–	–	–
Total liabilities		**3,810,812**	**2,816,225**	**3,589,047**	**2,739,639**
EQUITY					
Share capital	19	196,708	176,708	196,708	176,708
Share premium		76,500	34,500	76,500	34,500
Revaluation reserve - available-for-sale investment securities		10,451	8,191	9,257	7,484
General reserve for losses of assets		21,543	8,377	21,543	8,377
Fixed assets revaluation reserve		79,874	60,145	–	–
Currency translation reserve		7,546	5,492	–	–
Legal reserve		5,300	2,296	4,900	2,183
Other reserves		2,000	2,000	2,000	2,000
Retained earnings		115,860	58,958	119,403	54,330
Equity attributable to equity holders of the parent		**515,782**	**356,667**	**430,311**	**285,582**
Minority interest		1,025	29,586	–	–
Total equity:		**516,807**	**386,253**	**430,311**	**285,582**
Total liabilities and equity:		**4,327,619**	**3,202,478**	**4,019,358**	**3,025,221**

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

The financial statements were approved by the Board of the Bank on 14 March 2008 and signed on its behalf by:

E. Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

INCOME STATEMENTS

31 December 2007

LTL thousands

	Notes	The Group 2007	The Group 2006	The Bank 2007	The Bank 2006
Interest income	20	217,096	133,111	194,614	109,878
Interest expense	20	(99,289)	(55,100)	(96,094)	(53,505)
Interest income, net		**117,807**	**78,011**	**98,520**	**56,373**
Fees and commission income	21	125,599	101,944	126,815	104,002
Fees and commission expense	21	(21,361)	(21,685)	(20,772)	(21,233)
Fee and commission income, net		**104,238**	**80,259**	**106,043**	**82,769**
Net gains arising from dealing in foreign currencies	22	43,212	27,989	41,910	22,956
Net (loss) income from revaluation and proceeds of financial assets designated at fair value through profit or loss	22	(2,791)	6,242	(2,814)	6,242
Net gains arising from investment securities	22	2,615	602	2,615	598
Net (loss) gains arising from dealing in derivatives and other financial instruments	22	(13,220)	(3,234)	(13,265)	3,790
Impairment (charge) for credit losses	31	(18,546)	(43,546)	(12,038)	(39,205)
Recoveries of loans written off		1,024	282	1,024	282
Dividend income		422	198	422	198
Other operating income	23	6,944	3,299	3,621	2,792
OPERATING PROFIT		**241,705**	**150,102**	**226,038**	**136,795**
OPERATING EXPENSES	24	**(148,333)**	**(94,525)**	**(129,074)**	**(80,070)**
PROFIT BEFORE INCOME TAX		**93,372**	**55,577**	**96,964**	**56,725**
Income tax expense	26	(16,021)	(12,092)	(14,240)	(9,342)
NET PROFIT FOR THE YEAR		**77,351**	**43,485**	**82,724**	**47,383**
Attributable to:					
Equity holders of the parent		77,459	46,711	82,724	47,383
Minority interest		(108)	(3,226)	–	–
NET PROFIT FOR THE YEAR		**77,351**	**43,485**	**82,724**	**47,383**
Basic Earnings Per Share (in LTL)	28	**0.42**	**0.31**	**0.45**	**0.31**
Diluted Earnings Per Share (in LTL)	28	**0.42**	**0.30**	**0.45**	**0.31**

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

The financial statements were approved by the Board of the Bank on 14 March 2008 and signed on its behalf by:

E. Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

STATEMENTS OF CHANGES IN EQUITY
31 December 2007

LTL thousands

The Bank	Share Capital	Share premium	Other reserves	Revaluation reserve on available-for-sales investment securities	General reserve for losses of assets	Legal reserve	Retained earnings	Total
As of 31 December 2005	**126,708**	**–**	**2,000**	**1,903**	**–**	**339**	**18,435**	**149,385**
Dividends paid	–	–	–	–	–	–	(1,267)	(1,267)
Changes in fair value of investment securities available-for-sale, net of tax	–	–	–	5,581	–	–	–	5,581
Transfer to legal reserve	–	–	–	–	–	1,844	(1,844)	–
Transfer to general reserve for losses of assets	–	–	–	–	8,377	–	(8,377)	–
Issue of shares (note 19)	50,000	34,500	–	–	–	–	–	84,500
Net profit	–	–	–	–	–	–	47,383	47,383
As of 31 December 2006	**176,708**	**34,500**	**2,000**	**7,484**	**8,377**	**2,183**	**54,330**	**285,582**
Issue of shares (note 19)	20,000	42,000	–	–	–	–		62,000
Transfer to legal reserve	–	–	–	–	–	2,717	(2,717)	–
Transfer to general reserve for losses of assets	–	–	–	–	13,166	–	(13,166)	–
Dividends paid	–	–	–	–	–	–	(1,768)	(1,768)
Changes in fair value of investment securities available-for-sale, net of tax	–	–	–	1,773	–	–	–	1,773
Net profit	–	–	–	–	–	–	82,724	82,724
As of 31 December 2007	**196,708**	**76,500**	**2,000**	**9,257**	**21,543**	**4,900**	**119,403**	**430,311**

(Continued)

STATEMENTS OF CHANGES IN EQUITY

31 December 2007

LTL thousands

The Group	Share Capital	Share premium	Other reserves	Revaluation reserve on available-for-sale 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 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)
Transfer to legal reserve	–	–	–	–	–	–	–	1,957	(1,957)	–	–	–
Transfer to reserve for losses of assets	–	–	–	–	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
Issue of shares (note 19)	50,000	34,500	–	–	–	–	–	–	–	84,500	–	84,500
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**
Dividends paid	–	–	–	–	–	–	–	–	(1,768)	(1,768)	–	(1,768)
Issue of shares (note 19)	20,000	42,000	–	–	–	–	–	–	–	62,000	–	62,000
Transfer to legal reserve	–	–	–	–	–	–	–	3,004	(3,004)	–	–	–
Transfer to reserve for losses of assets	–	–	–	–	13,166	–	–	–	(13,166)	–	–	–
Currency translation adjustment	–	–	–	–	–	–	356	–	–	356	20	376
Decrease in fixed assets revaluation reserve, net of tax	–	–	–	–	–	(9,474)	–	–	–	(9,474)	(191)	(9,665)
Acquisition of minority shares	–	–	–	–	–	29,203	1,698	–	(2,619)	28,282	(28,282)	–
Changes in fair value of investment securities available-for-sale, net of tax	–	–	–	2,260	–	–	–	–	–	2,260	–	2,260
Net profit (loss)	–	–	–	–	–	–	–	–	77,459	77,459	(108)	77,351
As of 31 December 2007	**196,708**	**76,500**	**2,000**	**10,451**	**21,543**	**79,874**	**7,546**	**5,300**	**115,860**	**515,782**	**1,025**	**516,807**

(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 14 March 2008 and signed on its behalf by:

E. Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

CASH FLOW STATEMENTS

31 December 2007

LTL thousands

	Notes	The Group 2007	The Group 2006	The Bank 2007	The Bank 2006
Net profit for the year before income tax		93,372	55,577	96,964	56,725
Adjustments to net profit for the year before income tax					
Impairment charge for credit losses		18,546	43,546	12,038	39,205
Interest income		(217,096)	(133,111)	(194,614)	(109,878)
Interest expense		99,289	55,100	96,094	53,505
Dividends received		(422)	(198)	(422)	(198)
Depreciation and amortization		5,203	3,972	4,840	3,666
Change in fair value of assets		(5,765)	(6,288)	(4,332)	(5,581)
Profit from sales of property, plant and equipment		(2)	(85)	–	(22)
Total adjustments to operating profit		**(6,875)**	**18,513**	**10,568**	**37,422**
Changes is operating assets and liabilities					
Net changes in deposits placed with banks and other financial institutions		4,205	(61,743)	4,205	(61,743)
Net change in investment securities		(143,262)	(151,150)	(143,217)	(151,418)
Net change in loans to banks and other financial institutions		477,389	(187,967)	468,025	(221,804)
Net change in loans to banks and other financial institutions		165,253	(203,659)	165,584	(203,659)
Net change in loans and finance lease		(1,166,094)	(356,762)	(1,023,889)	(337,805)
Net change in other assets		(89,313)	27,161	(71,273)	32,817
Net change in due to banks and other financial institutions		50,294	(54,227)	34,707	(29,342)
Net change in due to customers		596,505	623,745	596,505	623,745
Net change in other liabilities		151,443	11,795	22,406	1,816
Total adjustments to operating assets and liabilities		**46,602**	**(352,807)**	**53,053**	**(347,393)**
Interest received		211,190	120,073	177,996	103,709
Interest paid		(74,854)	(44,111)	(71,734)	(42,815)
Income tax paid		(14,891)	(1,206)	(13,315)	(935)
Net cash from / (used in) operating activities		**161,172**	**(259,538)**	**156,568**	**(250,012)**

(Continued)

CASH FLOW STATEMENTS

31 December 2007

LTL thousands

	Notes	The Group 2007	The Group 2006	The Bank 2007	The Bank 2006
Cash from investing activities					
Dividends received		422	198	422	198
Acquisition of subsidiaries		–	–	(1,900)	(600)
Acquisition of property, plant and equipment and investment property		(25,305)	(22,596)	(9,225)	(6,790)
Sales of property plant and equipment		1,601	443	1,585	366
Acquisition of intangible assets		(2,319)	(844)	(2,219)	(786)
Sales of intangible assets		–	8	–	8
Net cash (used in) investing activities		**(25,601)**	**(22,791)**	**(11,337)**	**(7,604)**
Cash from financing activities					
Share capital issued		62,000	84,500	62,000	84,500
Dividends paid		(1,768)	(1,267)	(1,768)	(1,267)
Payments for debt securities issued		–	(4,860)	–	(4,860)
Loans received from banks and other financial institutions		76,368	94,258	79,084	93,798
Net change in subordinated loans		91,734	178	91,734	178
Net cash provided by financing activities		**228,334**	**172,809**	**231,050**	**172,349**
Net increase in cash and cash equivalents		**363,905**	**(109,520)**	**376,281**	**(85,267)**
Effects of exchanges in currency rates		**12,446**	**24,611**	**–**	**–**
Cash and cash equivalents at the beginning of the year	**29**	**310,999**	**395,908**	**309,781**	**395,048**
Cash and cash equivalents at the end of the year	**29**	**687,350**	**310,999**	**686,062**	**309,781**

(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 14 March 2008 and signed on its behalf by:

E. Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

NOTE 1 CORPORATE 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, except for trading in precious metals.

The Bank has 12 branches and 40 client service departments in Lithuania and 3 representative offices in foreign countries. In addition, the Bank controls, directly or indirectly, 8 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, Ūkio banko investicijų valdymas, set up in 2006 and Ūkio banko rizikos kapitalo valdymas set up in 2007. OAO Russkij Karavaj (Russia), acquired in 2005 with 99% 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 2007 the Group and the Bank employed 725 and 630 employees respectively (as of 31 December 2006: 572 and 504).

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:

	2007	2006
Vladimir Romanov	32.95 %	32.95 %
UAB Universal Business Investment Group Management	7.58 %	9.99 %
Zinaida Romanova	7.58 %	8.31 %
UAB FMĮ Finbaltus	8.12 %	6.96 %

NOTE 2 ADOPTION OF THE NEW AND REVISED STANDARDS

a) Standards and Interpretations effective in the current period

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's/Bank's operations and effective for accounting periods beginning on 1 January 2007. The adoption of such standards did not have any significant impact on the financial statements.

In the current year, the Group and the Bank has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods on or after 1 January 2007, and the consequence amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes in IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's and the Bank's financial instruments and management of capital (notes 30-37).

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

- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective 1 January 2007);
- IFRIC 8, Scope of IFRS 2 (effective 1 January 2007);
- IFRIC 9, Reassement of Embedded Derivatives (effective 1 January 2007);
- IFRIC 10, Interim financial reporting and impairment (effective 1 January 2007).

b) Standards and Interpretations in issue not yet adopted

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

- IAS 23 (Revised) Borrowing cost (effective 1 January 2009);
- IFRS 8, Operating Segments (effective 1 January 2009) (not yet endorsed by the EU);
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007) (not yet endorsed by the EU);
- IFRIC 12, Service Concession Arrangements (effective 1 January 2008) (not yet endorsed by the EU);
- IFRIC 13, Customer loyalty programs (effective 1 July 2008) (not yet endorsed by the EU);
- IFRIC 14, IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction (effective 1 January 2008) (not yet endorsed by the EU).

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

b) Basis of preperation

The financial statements have been prepared under the historical cost convention except of for construction in progress, investment property, certain financial assets and financial liabilities that are stated at fair value.
The accompanying financial statements are presented in the national currency of Lithuania, the Litas (LTL).
The accounting policies have been consistently applied by all Group entities.

The principal accounting policies adopted are set out below:

c) Principles of consolidation

As of 31 December 2007 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 %
UAB Ūkio banko rizikos kapitalo valdymas	Financial intermediation	Kaunas, Lithuania	100 %
OAO Russkij Karavaj*	Real estate and financial intermediation	Moscow, Russia	99 %
RAB Ūkio bank lizing**	Finance lease	Kiev, Ukraine	100 %

* UAB Turto valdymo strategija owns 99% of shares of OAO Russkij Karavaj.
** UAB Ūkio banko lizingas owns 100% of shares of RAB Ūkio bank lizing.

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.

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

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

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

d) 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 not matured 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:

	2007	2006
USD	2,3572	2,6304
EUR	3,4528	3,4528
100 RUB	9,6085	9,9708

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, are taken to equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognized 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.

e) Recognition of income and expenses

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

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

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

f) Financial assets

Loans and finance lease receivable 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 finance lease receivable 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 finance lease receivable are recognized when cash is advanced to borrowers.

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

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

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

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

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

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

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

– adverse changes in the payment status of borrowers in the group; or

– national or local economic conditions that correlate with defaults on the assets in the Group.

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

If there is objective evidence that an impairment loss on loans and finance lease receivable 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 income statement.

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.

g) Debt and Equity Securities

Securities are classified into the following groups:

- Financial assets designated 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.

Financial assets designated at fair value thought profit or loss
Financial assets designated at fair value are classified as financial assets held for trading and financial assets upon initial recognition designated at fair value through profit or loss.

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

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

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

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

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

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

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

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

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

Securities sold under repurchase agreements (repos) are recognized in the financial statements as trading or investment securities, and the resulting liabilities are included in amounts due to banks and other financial institutions, deposits due to customers or other liabilities, as appropriate. Securities purchased under reverse repurchase agreements are included into loans and finance lease receivable 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.

Foreign exchange differences on non monetary available-for-sale investments are recognized directly into equity, on monetary items are recognized directly in the income statement.

<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 for 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.

h) Non-current assets (and disposal groups) held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

i) 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.

j) Cash and cash equivalents

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

k) 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".

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

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

Software	3 years

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

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

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

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

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

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

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

m) 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".

n) 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.

o) 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.

p) 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.

q) Income tax

For 2007 the income tax rate in Lithuania is 15%, excluding social tax (2006 – 15%). From 2006 social tax came into effect. The social tax was 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.

r) 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.

s) Derivative financial instruments

The Group/Bank perform operations with derivative financial instruments. The Group/Bank use 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 (note 40).

The Group/Bank evaluate 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 income statement.

t) Financial instruments with off-balance sheet risk

In the normal course of business, the Group/Bank enter 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.

u) 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.

v) 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.

w) 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.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Presentation of financial statements in conformity with IFRS and IFRS as adopted by EU requires the Group and the Bank to make judgments and estimates that affect the recognized amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the balance sheet date as well as recognized income and expenses for the reporting period. Actual results may deviate from such estimates.

Estimates

The Group and the Bank make various estimates to determine the value of certain assets and liabilities. When the value of loans as well as other financial assets, for which loss events have occurred, is tested for impairment, an estimate is made of when in the future and in which amount relevant cash inflow will occur. The measurement of financial instruments is described below.

Key sources of estimation uncertainty

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

Estimated impairment of goodwill
The Group/Bank test goodwill for impairment annually. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. As of 31 December 2007 the carrying amount of goodwill was LTL'000 3,981. Goodwill was not impaired as of 31 December 2007.

Impairment losses on loans and finance lease receivable
The Group/Bank review 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 and finance lease receivable before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the loan risk group.

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

NOTE 5 CASH AND BALANCES WITH CENTRAL BANK

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Cash and balances with Central Bank		
162,894	189,279	Compulsory reserves	162,894	189,279
39,481	25,439	Cash on hand	39,480	25,439
7	5	Other	7	5
202,382	**214,723**	**Total cash and balances with Central Bank**	**202,381**	**214,723**

The compulsory reserves held with the Bank of Lithuania comprise the funds calculated on a monthly basis as a 6% share of the average balance of deposits of the month. 1/3 part of required minimum reserves are remunerated by the 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 6 LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Loans and advances to banks and other financial institutions		
178,215	133,308	Funds in correspondent accounts	178,215	133,308
503,415	650,641	Deposits:	502,128	631,285
458,681	*102,485*	*Overnight deposits*	*458,681*	*102,485*
33,527	*546,938*	*Term deposits*	*33,527*	*528,788*
11,207	*1,218*	*Demand deposits*	*9,920*	*12*
136,072	106,888	Loans:	544,012	515,612
94,272	*49,464*	*Falling due within one year*	*155,301*	*106,979*
41,800	*57,424*	*Falling due after one year*	*388,711*	*408,633*
817,702	**890,837**	**Total loans and advances to banks and other financial institutions**	**1,224,355**	**1,280,205**

NOTE 7 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Debt securities held for trading		
22,257	158,996	Debt securities held for trading	22,257	158,996
68,476	69,911	Debt securities of banks and financial institutions held for trading	68,476	69,911
65,278	47,665	Government debts held for trading	65,278	47,665
156,011	**276,572**	**Total**	**156,011**	**276,572**
		Investment funds		
19,398	35,328	Equity funds	19,345	35,328
12,704	40,071	Bond funds	12,526	40,071
32,102	**75,399**	**Total**	**31,871**	**75,399**
		Equity securities held for trading		
7,449	10,601	Equity securities held for trading	7,349	10,601
2,256	499	Equity securities of banks and financial institutions held for trading	2,256	499
9,705	**11,100**	**Total**	**9,605**	**11,100**
197,818	**363,071**	**Total financial assets designated at fair value thought profit or loss**	**197,487**	**363,071**

NOTE 8 LOANS AND FINANCE LEASE RECEIVABLE

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Loans and finance lease receivable		
1,203,751	476,992	Loans to small and medium size enterprises (SMEs)	1,203,752	476,992
467,432	247,928	Loans to other enterprises	435,055	245,129
284,586	166,100	Loans to individuals	236,460	129,995
254,666	160,007	Finance lease receivable	–	–
2,210,435	**1,051,027**	**Total loans and finance lease receivable**	**1,875,267**	**852,116**
(65,539)	(55,723)	Provisions for impairment loss of loans and finance lease receivable (note 31 (f))	(56,800)	(50,264)
(58,877)	(52,324)	*Provisions for impairment loss of loans receivable*	(56,800)	(50,264)
(6,662)	(3,399)	*Provisions for impairment loss of finance lease receivables*	–	–
2,144,896	**995,304**	**Total loans and finance lease receivable from customers, net of provisions**	**1,818,467**	**801,852**

As of 31 December 2007 the Group's/Bank's "Loans and finance lease receivable" balances include accrued interest in the amount of LTL'000 7,822 and LTL'000 5,546 respectively (2006: LTL'000 2,824 and LTL'000 2,567 respectively).

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

LTL thousands

Minimum lease receivables			Present value of minimum lease receivables	
2007	2006		2007	2006
		Amounts receivable under finance leases		
152,408	115,925	Due within one year	132,688	103,680
104,199	37,719	Due after one year	86,263	33,322
256,607	**153,644**	**Total**	**218,951**	**137,002**
(37,656)	(16,642)	Less: unearned finance income	–	–
218,951	**137,002**	**Minimum lease receivable**	**218,951**	**137,002**
35,715	23,005	Add: VAT receivable	35,715	23,005
(6,662)	(3,399)	Provisions for impairment loss of finance lease receivable	(6,662)	(3,399)
248,004	**156,608**	**Finance lease receivable, net of provisions**	**248,004**	**156,608**

The Group			The Bank	
2007	2006		2006	2005
		Finance lease by type of assets leased		
54,765	48,536	Computer equipment	–	–
28,789	25,104	Household equipment	–	–
26,778	20,564	Audio and video equipment	–	–
21,211	5,362	Real estate	–	–
20,070	1,347	Manufacturing equipment	–	–
17,231	14,331	Furniture	–	–
8,518	4,918	Vehicles	–	–
77,304	39,845	Other assets	–	–
254,666	**160,007**	**Total finance lease receivable by type of assets leased**	**–**	**–**
(6,662)	(3,399)	Provisions for impairment of finance lease receivable	–	–
248,004	**156,608**	**Total finance lease receivable 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 37 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 the repayment LTL'000 15,000 loan.

NOTE 9 INVESTMENT SECURITIES

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Equity investment securities available-for-sale		
24,747	28,626	Equity securities available-for-sale	22,263	25,700
9,018	7,282	Equity securities of banks and financial institutions available-for-sale	9,018	7,282
33,765	**35,908**	**Total equity investment securities available-for-sale**	**31,281**	**32,982**
		Investment securities held to maturity		
150,710	184,935	Debt securities held to maturity	150,698	184,921
239,109	72,496	Debt securities of banks and financial institutions held to maturity	238,250	72,496
5,038	4,499	Government debt securities held to maturity	4,746	4,499
394,857	**261,930**	**Total debt investment securities held to maturity**	**393,694**	**261,916**

NOTE 10 INVESTMENTS IN SUBSIDIARIES

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		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	2,000	600
–	–	UAB Ūkio banko rizikos kapitalo valdymas	500	–
–	**–**	**Total investments in subsidiaries**	**6,500**	**4,600**

In June 2007 the Bank established 100% subsidiary company UAB Ūkio banko rizikos kapitalo valdymas registered in Kaunas, Lithuania. The share in the amount of LTL'000 500 was contributed in cash. The main business activity of the company is venture capital. Since the establishment date and for the year ended 31 December 2007 the company incurred a loss of LTL'000 222.

In May 2007 the share capital of UAB Ūkio banko investicijų valdymas was increased by LTL'000 1,400. All shares are fully paid in cash.

NOTE 11 INTANGIBLE ASSETS

LTL thousands

The Group				The Bank
Software	Goodwill	Total		Software
			Acquisition cost	
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**
2,319	–	2,319	additions	2,219
(7)	–	(7)	disposals, write-offs (-)	–
7,039	**3,981**	**11,020**	**As of 31 December 2007**	**6,736**
			Amortization	
2,679	**–**	**2,679**	**As of 31 December 2005**	**2,527**
881	–	881	amortization charge	864
(132)	–	(132)	disposals, write-offs (-)	(94)
3,428	**–**	**3,428**	**As of 31 December 2006**	**3,297**
1,128	–	1,128	amortization charge	1,092
(7)	–	(7)	disposals, write-offs (-)	–
4,549	**–**	**4,549**	**As of 31 December 2007**	**4,389**
			Carrying amount	
1,299	**3,981**	**5,280**	**As of 31 December 2006**	**1,220**
2,490	**3,981**	**6,471**	**As of 31 December 2007**	**2,347**

The carrying value of the computer software acquired by the Bank under finance lease agreements as of 31 December 2007 amounted to LTL'000 324 (2006: LTL'000 444).

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

LTL thousands

The Group	Buildings and other real estate	Vehicles	Office equipment	Construction in progress	Total
Historical cost \ revalued amount					
As of 31 December 2005	**7,829**	**5,146**	**14,672**	**323,032**	**350,679**
additions	239	2,992	3,847	15,518	22,596
changes in fair value	–	–	–	17,536	17,536
disposals, write-offs (-)	–	(1,117)	(1,695)	–	(2,812)
currency exchange differences	–	–	–	(23,892)	(23,892)
As of 31 December 2006	**8,068**	**7,021**	**16,824**	**332,194**	**364,107**
additions	2,596	1,525	7,989	13,195	25,305
changes in fair value	–	–	–	(6,674)	(6,674)
disposals, write-offs (-)	–	(201)	(2,617)	–	(2,818)
currency exchange differences	–	–	–	(12,070)	(12,073)
As of 31 December 2007	**10,664**	**8,345**	**22,196**	**326,645**	**367,850**
Depreciation					
As of 31 December 2005	**1,323**	**2,553**	**7,057**	**–**	**10,933**
depreciation charge	135	800	2,156	–	3,091
disposals, write-offs (-)	–	(1078)	(1,376)	–	(2,454)
As of 31 December 2006	**1,458**	**2,275**	**7,837**	**–**	**11,570**
depreciation charge	144	1,143	2,788	–	4,075
disposals, write-offs (-)	–	(107)	(1,112)	–	(1,219)
As of 31 December 2007	**1,602**	**3,311**	**9,513**	**–**	**14,426**
Carrying amount					
As of 31 December 2006	**6,610**	**4,746**	**8,987**	**332,194**	**352,537**
As of 31 December 2007	**9,062**	**5,034**	**12,683**	**326,645**	**353,424**

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

As of 31 December 2007 construction in progress in the amount of LTL'000 326,645 (2006: LTL'000 332,194) represents building under construction located in Moscow, Russia. 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.

LTL thousands

The Bank	Buildings and other real estate	Vehicles	Office equipment	Total
Historical cost amount				
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**
additions	–	1,443	7,782	9,225
disposals, write-offs (-)	–	(159)	(2,197)	(2,356)
As of 31 December 2007	**8,064**	**6,871**	**20,969**	**35,904**
Depreciation				
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**
depreciation charge	144	1,032	2,572	3,748
disposals, write-offs (-)	–	(77)	(694)	(771)
As of 31 December 2007	**1,598**	**2,230**	**8,652**	**12,480**
Carrying amount				
As of 31 December 2006	**6,610**	**4,312**	**8,610**	**19,532**
As of 31 December 2007	**6,466**	**4,641**	**12,317**	**23,424**

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

The carrying amount of the vehicles and office equipment acquired by the Bank under finance lease agreements as of 31 December 2007 was LTL'000 94 (2006: LTL'000 127) and LTL'000 0 (2006: LTL'000 523), respectively.

Investment property

LTL thousands

The Group		The Bank
18,813	**Investment property fair value as of 31 December 2005**	**11,483**
–	Investment property additions	–
–	Sales, write off (disposal) of investment property (-)	–
–	Gain arising on change in the fair value	–
18,813	**Investment property fair value as of 31 December 2006**	**11,483**
–	Investment property additions	–
–	Investment property disposals	–
3,505	Gain arising on change in the fair value	2,247
22,318	**Investment property fair value as of 31 December 2007**	**13,730**

NOTE 13 OTHER ASSETS

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Other assets		
40,907	16,090	prepayments	19,717	322
21,161	11,414	deferred expenses	18,693	9,316
16,059	13,750	claims on derivative financial instruments	16,059	13,750
11,444	10,036	VAT receivable in Russia	–	–
5,337	–	receivables on securities transactions	5,337	–
4,062	4,695	accounts receivable	4,062	4,695
353	2,131	transit accounts	48	1,770
29	29	foreclosed assets	29	29
–	837	receivables on Spot transactions	–	837
7,097	9,106	other receivables	5,962	4,619
106,449	**68,088**	**Total other assets**	**69,907**	**35,338**
(3,036)	(4,013)	Provisions for impairment loss of other assets (note 31 (f))	(809)	(1,701)
103,413	**64,075**	**Total other assets, net of provisions**	**69,098**	**33,637**

NOTE 14 ASSETS CLASSIFIED AS HELD FOR SALE

On 2 July 2007 the Bank has acquired 80.02% interest of GD UAB Bonum publicum and became the sole shareholder of the company. The Bank acquired shares in GD UAB Bonum publicum with an intention for resale.

NOTE 15 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Due to banks and other financial institutions		
3,033	31,855	Due to correspondent banks	3,033	31,855
403,944	325,738	Deposits	413,312	350,703
58,442	*52,468*	*including collateralized deposits for the loans granted*	*58,442*	*52,468*
311,080	231,898	Loans:	280,864	199,041
202,856	*84,594*	*Falling due within one year*	*172,640*	*84,594*
108,224	*147,304*	*Falling due after one year*	*108,224*	*114,447*
718,057	**589,491**	**Total**	**697,209**	**581,599**
2,814	1,603	Accrued interest	2,739	1,518
(1,871)	(1,570)	Commissions paid	(1,871)	(1,570)
719,000	**589,524**	**Total due to banks and other financial institutions**	**698,077**	**581,547**

As of 31 December 2007 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.

NOTE 16 DUE TO CUSTOMERS

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Due to customers		
914,897	719,154	Current and demand deposits	914,897	719,154
1,819,098	1,398,202	Term deposits, letters of credit	1,819,098	1,398,202
2,733,995	**2,117,356**	**Total due to customers**	**2,733,995**	**2,117,356**

The Group			The Bank	
2007	2006		2007	2006
		Current and demand deposits		
768,916	604,769	Companies	768,916	604,769
145,981	114,385	Individuals	145,981	114,385
914,897	**719,154**		**914,897**	**719,154**
		Term deposits, letters of credit		
469,567	452,461	Companies	469,567	452,461
1,329,397	932,861	Individuals	1,329,397	932,861
1,798,964	**1,385,322**		**1,798,964**	**1,385,322**
20,134	12,880	Accrued interest	20,134	12,880
2,733,995	**2,117,356**	**Total due to customers**	**2,733,995**	**2,117,356**

NOTE 17 SUBORDINATED LOANS

As of 31 December 2007 the Bank had two subordinated loans denominated in USD amounting to LTL'000 8,055 (2006: LTL'000 7,891) and one subordinated loan denominated in EUR amounting to LTL'000 93,729. The balances include accrued interest of LTL'000 983 (for subordinated loans denominated in USD) and LTL'000 503 (for subordinated loan denominated in EUR).

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 2007 was 5.43%. 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 was 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.

On 7 December 2007 the Bank signed an agreement with Ireland company Taberna Europe DCO II P.L.C., according to which a ten year subordinated loan for EUR'000 27,000 was provided to the Bank by the subscription of fixed-floating rate subordinated notes. The loan was received on the same date. The annual interest rate was fixed for the first 5-year period at the rate of 8.45%.

Bank of Lithuania by order No 183 dated 19 December 2007 gave permission to include the subordinated loan to the Bank's Tier 2 capital.

NOTE 18 OTHER LIABILITIES

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Other liabilities		
110,895	–	Loans received*	–	–
22,071	18,112	Accounts Payable	–	–
10,741	11,771	Income tax payable	10,109	9,567
9,984	2,949	Suspense accounts	9,984	2,949
7,091	2,678	Payroll and social security payable and vacation reserve	6,996	2,554
5,937	4,679	Prepayments from customers for finance leases	–	–
5,669	2,667	Prepayments for Spot transactions	5,669	2,667
5,011	1,023	VAT tax payable	5,008	1,020
3,760	372	Liabilities from derivative financial instruments	3,757	372
1,902	3,523	Accrued income and deferred expenses	530	503
1,084	930	Accrued deposit insurance expenses	1,084	930
89	57	Finance lease payable	89	1,052
–	3,883	Provisions for off-balance sheet	–	3,883
11,498	5,774	Other liabilities	8,884	3,813
195,732	**58,418**	**Total other liabilities**	**52,110**	**29,310**

* Loans received include loans payable by the Bank subsidiaries to UAB Domus Altera, UAB Energolinia and UAB Korelita, the loans are denominated in RUB with fixed interest rate of 5% and maturity in 2008.

NOTE 19 SHARE CAPITAL

The authorized capital of the Bank as of 31 December 2007 was LTL'000 196,708 and consisted of 196,708,000 ordinary shares with par value of LTL 1 each. All shares are fully paid.

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.

On 10 August 2007 the Bank's share capital was increased by LTL'000 20,000, issuing new ordinary shares in the amount of 20,000,000. A share premium on capital increase of LTL'000 42,000 was recognized. All shares were fully paid in cash.

On 30 July 2006 the Bank's share capital was increased by LTL'000 50,000, issuing new ordinary shares in the amount of 20,000,000. A share premium on capital increase of LTL'000 34,500 was recognized. All shares were fully paid in cash.

At the shareholders meeting on 22 March 2007, dividends in respect of 2006 of LTL 0.01 per share amounting to total of LTL'000 1,767 were proposed (dividends paid as of 31 December 2007 amounted to LTL'000 1,743).

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 proposed (dividends paid as of 31 December 2007 amounted to LTL'000 1,252).

NOTE 20 INTEREST INCOME AND EXPENSE

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Interest income		
135,034	71,257	on loans and advances to customers	91,832	39,928
45,022	48,115	on loans and advances to banks and other financial institutions	65,769	56,218
21,648	7,063	on investment securities held to maturity	21,635	7,063
13,023	5,447	on trading debt securities	13,009	5,440
2,369	1,229	on balances with central bank	2,369	1,229
217,096	**133,111**	**Total interest income**	**194,614**	**109,878**

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Interest expense		
75,016	40,842	on liabilities due to customers	75,016	40,842
23,363	13,626	on liabilities due to banks and other financial institutions	20,168	12,031
910	393	on subordinated loans	910	393
–	239	on debt securities issued	–	239
99,289	**55,100**	**Total interest expense**	**96,094**	**53,505**

In 2007 the Group's/Bank's total interest income includes income accrued on impaired financial assets in the amount of LTL'000 14,756 and LTL'000 10,936 respectively (2006: LTL'000 9,904 and LTL'000 8,662 respectively).

NOTE 21 FEES AND COMMISSION INCOME AND EXPENSE

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Fees and commission income		
100,169	79,842	for money transfer operations	100,287	79,964
5,384	3,406	for bank accounts' services	5,384	3,406
5,374	2,779	for payment card services	5,442	2,870
4,709	4,895	for credit services	5,168	6,202
3,923	3,218	for collection of taxes	3,923	3,218
1,707	1,182	for EUR currency exchange	1,708	1,182
4,333	6,622	other	4,903	7,160
125,599	**101,944**	**Total fees and commission income**	**126,815**	**104,002**

The Group			The Bank	
2007	2006		2007	2006
		Fees and commission expenses		
16,070	18,328	for money transfer operations	15,579	17,785
2,466	1,906	for payment card services	2,456	1,926
2,825	1,451	other	2,737	1,522
21,361	**21,685**	**Total fees and commission expenses**	**20,772**	**21,233**

NOTE 22 NET TRADING INCOME

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Net gains arising from dealing in foreign currency		
45,189	28,160	realized profit	45,466	28,208
(1,977)	(171)	unrealized (loss)	(3,556)	(5,252)
43,212	**27,989**		**41,910**	**22,956**
		Net (cost) income from revaluation and proceeds of financial assets designated at fair value through profit or loss		
(1,265)	3,510	realized profit (loss)	(1,256)	3,510
(1,526)	2,732	unrealized profit (loss)	(1,558)	2,732
(2,791)	**6,242**		**(2,814)**	**6,242**
		Net gains arising from investment securities		
2,615	602	realized profit	2,615	598
2,615	**602**		**2,615**	**598**
		Net (loss) gains arising from dealing in derivatives and other financial instruments		
(9,898)	(6,255)	realized (loss) profit	(9,946)	769
(3,322)	3,021	unrealized profit (loss)	(3,319)	3,021
(13,220)	**(3,234)**		**(13,265)**	**3,790**

NOTE 23 OTHER OPERATING INCOME

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Other operating income		
3,505	–	Changes in fair value of investment property	2,247	–
1,758	–	Profit directly associated with assets classified as held for sale	–	–
811	759	Rent income	561	334
108	27	Fines and penalties received	108	27
2	85	Gain on sale of fixed assets	–	22
760	2,428	Other income	705	2,409
6,944	**3,299**	**Total other operating income**	**3,621**	**2,792**

NOTE 24 OPERATING EXPENSES

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Operating expenses		
44,758	31,369	Salary and related expenses (note 25)	37,838	26,962
34,773	18,396	Marketing and charity expenses	28,906	14,509
12,120	8,816	Deposit insurance expenses	12,120	8,816
11,784	8,085	Rent of premises and household expenses	11,282	7,574
9,102	3,074	Taxes	9,053	3,040
5,203	3,972	Depreciation and amortization (notes 11, 12)	4,839	3,666
3,567	2,740	Transport, post and communication service expenses	2,769	2,121
3,268	2,189	IT expenses	2,915	1,780
3,096	1,813	Training and business trip expenses	2,485	1,345
20,662	14,071	Other expenses	16,867	10,257
148,333	**94,525**	**Total operating expenses**	**129,074**	**80,070**

NOTE 25 SALARY AND RELATED EXPENSES

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Salary and related expenses		
25,672	18,274	Salaries	20,968	15,113
9,901	6,974	Social security	8,317	6,027
9,185	6,121	Bonuses and similar payments	8,553	5,822
44,758	**31,369**	**Total**	**37,838**	**26,962**

NOTE 26 INCOME TAX EXPENSE

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

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Income tax		
15,793	12,615	Current income tax	14,532	10,046
(22)	(8,266)	Prior year income tax corrections	(17)	(8,167)
250	7,743	Change in deferred tax (note 27)	(95)	7,463
16,021	**12,092**	**Total income tax**	**14,240**	**9,342**

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
91,614	**55,577**	**Profit before tax**	**96,964**	**56,725**
16,491	10,560	Tax calculated at a tax rate of 2007-18% (2006 – 19%)	17,454	10,778
(6,105)	(9,178)	Tax effect of income not subject to tax	(9,561)	(7,371)
(22)	(8,266)	Prior year income tax corrections	(17)	(8,167)
5,010	12,589	Tax effect of expenses not deductible in determining taxable profit	6,524	6,546
(202)	(133)	Increase in deferred tax resulting from change in tax rate (2008-15%; 2007 – 18%)	(141)	(104)
849	6,520	Changes in deferred tax asset	(19)	7,660
16,021	**12,092**	**Income tax expense**	**14,240**	**9,342**
17,49 %	21,76 %	Effective tax rate	14,69 %	16,47 %

NOTE 27 DEFERRED INCOME TAX

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Deferred income tax		
42,364	29,886	At the beginning of the year	2,863	(5,685)
(2,408)	5,958	Current year changes in deferred tax liabilities	(19)	1,978
849	6,646	Current year changes in deferred tax assets	237	7,115
(868)	(126)	Changes in valuation allowance	–	(545)
39,937	**42,364**	**Net position**	**3,081**	**2,863**

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

LTL thousands

Group			Bank	
2007	2006		2007	2006
		Deferred income tax liabilities		
35,265	38,257	Revaluation of fixed assets	–	–
1,868	1,267	Revaluation of investment property	763	382
1,864	2,477	Revaluation of securities available for sale	1,741	2,353
1,024	428	Other liabilities	661	193
40,021	**42,429**		**3,165**	**2,928**
		Deferred income tax assets		
(84)	(128)	Accrued expenses	(84)	(65)
–	(805)	Provisions	–	–
(84)	**(933)**		**(84)**	**(65)**
–	868	Valuation allowances	–	–
39,937	**42,364**	**Total liabilities, net**	**3,081**	**2,863**
–	**–**	**Total assets**	**–**	**–**

The movement for the year ended 31 December 2007 in the Group's and the Bank's net deferred tax (assets)/ liability position was as follows:

LTL thousands

	The Group 2007	The Bank 2007
As of 1 January 2007	**42,364**	**2,863**
Charge to income for the year (note 26)	250	(95)
Revaluation of construction in progress and investments available-for-sale charged directly to equity	(2,677)	313
As of 31 December 2007	**39,937**	**3,081**

NOTE 28 EARNINGS PER SHARE

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Basic earnings per share calculation		
77,459	46,711	Profit attributable to equity holders of the Parent	82,724	47,383
184,598	152,050	Weighted average number of ordinary shares in issue (thousands units)	184,598	152,050
0.42	**0.31**	**Basic earnings per share (in LTL)**	**0.45**	**0.31**

The Group			The Bank	
2007	2006		2007	2006
		Diluted earnings per share calculation		
77,459	46,711	Profit attributable to equity holders of the Parent	82,724	47,383
333	318	Interest expense on subordinated loans (net of tax)	333	318
77,792	47,029	Net profit used to determine diluted earning per share	83,057	47,701
184,598	152,050	Weighted average number of ordinary shares in issue (thousands units)	184,598	152,050
1,790	3,474	Adjustment for assumed conversion of subordinated loans (thousands units)	1,847	3,474
186,388	155,524		186,445	155,524
0.42	**0.30**	**Diluted earnings per share (in LTL)**	**0.45**	**0.31**

NOTE 29 CASH AND CASH EQUIVALENTS

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Cash and cash equivalents		
39,488	25,444	Cash and other valuables (note 5)	39,487	25,444
638,183	237,011	Demand deposits in other banks and financial institutions up to 3 months	636,896	235,793
6,243	28,423	Correspondent account with Bank of Lithuania	6,243	28,423
3,436	20,121	Short-term realizable debt securities up to 3 months	3,436	20,121
687,350	**310,999**	**Cash and cash equivalents at the end of the period**	**686,062**	**309,781**

NOTE 30 THE PROCESSES OF RISK MANAGEMENT AND INTERNAL CONTROL

The value-based and risk/return-oriented management of AB Ūkio bankas Group involves identifying all the major risks within the Group, as precise as possible measuring these risks and managing the resulting risk positions. Main *target for risk management of AB Ūkio bankas Group* is to identify, analyze and limit various risks arising in expansion of Group's activities while pursuing strategic objectives. The Group seeks to keep optimal level of risk while maximizing its profits so that unexpected changes in economic environment, fluctuations in market variables, unexpected incidents in Group's internal processes and systems would not result in a threat to stable operations of the Group, partners' trust in the Group or compliance with prudential requirements.

Risk management strategy is a component of Group's management, which is reviewed and approved by the board of the Bank annually, before the launch of annual financial planning procedures. Risk management strategy, which sets out the principles of bank's risk management policy, risk appetite, structure of risk, the processes of risk management and internal capital adequacy assessment, is a guidance for all structural units of the Bank and subsidiaries. Major risks in Group's risk management are first distinguished to ***quantifiable***– i.e. measurable (credit, market, concentration, operational, liquidity) – and ***unquantifiable*** – i.e. not measurable (strategic, reputation, earnings) – categories of risk. Management and measurement of certain quantifiable and unquantifiable risks is regulated by respective risk management policies.

The risk management of the Group is organized in a way that prevents the conflicts of interests of personnel or structural units. In case the situation is uncertain or doubts about the relevance/correctness of risk management arise, the employees adhere to the principles of precaution, conservativeness and prudence in decision-taking and carrying out their daily activities. New business lines in the Group's activities or products are introduced only after analysis of business-specific risk, preparation of relevant risk management and internal control procedures and gaining an approval from Bank's Risk Management Committee. The Group focuses its exposures only in business lines in which it possesses the expertise necessary to evaluate specific risks. Risk management and the ICAAP are primarily based on the going concern objective, additional condition of which is maintaining appropriate level of Group's capital.

Risk appetite of the Group is lower than average. As a result of assessment of market risk impact on the Group's income, the Group takes on lower and medium risk – i.e. presumable maximal losses for the period of one year caused by market risk in stress testing by worst-case scenario cannot exceed 25 percent of Group's non-trading income and 10 percent of eligible capital of the Group. Group's capital allocated to cover the risk must exceed the economic capital by at least 10 percent, and capital adequacy of the Group is targeted to exceed 12 percent at all times. Based on the ratio of capital allocated to cover the risk and economic capital, target capital adequacy ratio, results of stress-testing and plans of Group's development and expansion, the need for increasing the Group's capital is projected and maintaining acceptable risk appetite is assured.

Determination of Group's *risk structure*, restriction of the risk by internal limits and ratios for individual risks, business lines, banking products, categories of customers, geographic regions, economic sectors and structural units is the key ingredient of risk management and internal control processes.

Organizational scheme of risk management of the Group, which includes organizational structure of risk management, processes of risk management and control, determines the areas of responsibility and accountability, internal control and internal audit procedures of structural units of the Bank and subsidiaries. The board of the Bank is responsible for the management of the risk interest in the activities of the whole Group. When needed, certain decisions of the board are also approved by Bank's council. Risk Management and Credit committees are the main advisors of the board on the subject of risk management. The suggestions from all structural units on improvement of risk management and reducing the risk are being pondered upon in regular meetings of committees. Separate specialized departments of the Bank are responsible for management of certain ***quantifiable*** risks (credit, market, concentration, operational, liquidity) inherent in Group's activities. Bank's Chief Executive Officer is responsible for the management of ***unquantifiable*** risks (strategic, reputation, earnings). The efficiency of Group's risk management and internal control processes is assessed by Bank's internal Audit Department and Internal Audit Committee, which are subordinate to the supervisory body of the bank – i.e. Supervisory Council.

NOTE 31 CREDIT RISK MANAGEMENT

a) Introduction

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. Credit risk is the most important risk to the Group's/Bank's business, therefore the management carefully manages its exposure to credit risk. Key measures for credit risk management in Group's/Bank's activities are:

- Managing concentration of risk;
- Analyzing the ability of potential borrowers to repay the debt by applying strict lending criteria and approval procedures, which assure decision-taking at proper level;
- Measuring the ability of current borrowers to meet their obligations by following internal risk classification procedures;
- Measuring the impairment of exposures;
- Mitigating the risk by obtaining collateral and other credit enhancements;
- Working with problem and written-off loans.

Concentration of risk management

For managing the concentration of risk, 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.

For the quantities analysis of credit risk concentration, please refer to the Note 31 (c).

Analysis of the ability of borrowers or potential borrowers to meet their obligations

Analysis of the ability of potential borrowers to repay the debt varies by product. For purchasing securities, there are certain criteria set in the procedures (for instance, certain trade volumes in regulated markets for financial assets held for trading; external credit rating criteria for debt securities; investment priorities, etc.). For granting loans to corporate or SME customers, typically the analysis of customer's track record and creditworthiness involving analysis of quantitative and qualitative factors (i.e. financial ratios, business plan, cash flow analysis, facts of refinancing and reorganization of commitments, industry and competitive factors etc.) is performed, stricter procedures apply for lending to non-resident customers (involving country risk and credit rating assessment). For granting loans to private customers, typically borrower's track record, information on payment history from credit bureaus and other external sources, estimated financial status (scoring) are analyzed. Approval procedures and limits assure that risk exposures are taken after proper considerations at appropriate management level.

Measuring the ability of current borrowers to meet their obligations includes reviewing borrower's payment record (breaches are reported instantly; procedures set actions to be made in case the payment is past due for certain number of days) reviewing customer's internal risk rating (performed at least quarterly), and changing lending limits or taking other actions when appropriate.

See Note 31 (d) for the analysis of credit quality by internal risk classification and Note 31 (e) for the information on payment delays.

Impairment of the exposures

Impairment testing is performed at least quarterly. Impairment-testing procedures are based on IAS 39 and regulations of the central bank. Testing for the impairment involves determining whether objective evidence of impairment exists by analysis of certain criteria, main of which are:

- Delinquency in contractual payments of principal or interest;
- Breach of loan covenants or conditions;
- Deterioration of the borrower's financial status as reflected by internal or external ratings;
- Deterioration in the value of collateral;
- Granting a concession that would otherwise be not considered to a borrower because of its financial difficulties.
- It is becoming probable that the borrower would enter bankruptcy or other financial reorganization;
- Other objective evidence for loan impairment as prescribed in the Group's/Bank's procedures exists.

If objective evidence that an impairment on loans has been incurred exists, 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 loan's original effective interest rate. The carrying amount of the loan 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 loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

See Note 31 (f) for the quantitative information on the impairment of Group's/Bank's assets.

Impairment losses not yet occurred

As adoption of IAS 39 allows calculating impairment losses and providing against assets in respect of which impairment has already occurred, the Group/Bank additionally forms reserves from its profit to cover the risk of receivables in respect of which a loss event has not yet occurred. For the coverage of risk not yet incurred and not reflected in the balance sheet and income statements, reserves from the undistributed profit are formed ("General reserve for losses of assets"). These reserves as of 31 December 2007 amounted to LTL'000 21,543 (31 December 2006: LTL'000 8,377).

Credit risk mitigation

In granting loans, the policy of the Group/Bank is to obtain as much collateral as possible. Bank seeks to obtain higher category collateral (for instance, credit insurance, securities traded in the market, guarantees from state guarantee companies, LOCs from highly-rated banks, real estate are preferred to movable property, non-traded securities, pledge of future cash flows, guarantees from private companies or individuals), but in addition to that, seeks to obtain any type of collateral despite higher category collateral is sufficient. With the exception of land and financial assets, Bank requires collateral to be insured during the term of loan agreement. In case collateral is insufficient, credit approval must be made at high approval levels (typically, not less than bank's credit committee) only after careful considerations. The Group/Bank seek obtain a collateral even if other methods of collecting the debt in case of non-payment are more efficient and foreclosure of the collateral is not likely to be used. Procedures for certain lending products (i.e. credit card loans, consumer loans) do not have requirement to obtain collateral, but the risk is mitigated by scoring system and lifting maximum product amounts per customer.

Data on the fair value of collateralized property typically is renewed not less than every two years, in case of significant changes in the value of the collateral – more often. In determining the value of the collateralized property, the Group/Bank typically uses the valuations of independent certified appraisers with which the Group/Bank has cooperation agreements signed. Cooperation agreements include the obligations and responsibilities of the appraisers. Civil liability of the appraisers is insured with the insurance companies. The appraisal reports of larger value properties are additionally approved by Group's/Bank's own appraisers, which also have certificates.

Typically, no collateral is obtained for placements in banks, securities and other financial assets, however, some exposures in higher-risk banks are secured by customers taking the full risk.

See Note 31 (g) for the quantitative information on the collateral obtained.

Recovery of problem and written-off loans

Typically, problem and written-off loans are transferred to a special division of the Bank, which carries out the recovery of loans, foreclosure and sale of pledged assets. In certain cases (for instance, leasing exposures), cooperation with external credit recovery agencies is used to recover the loans.

b) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

LTL thousands

The Group			The Bank	
2007	**2006**		**2007**	**2006**
		Assets		
162,894	189,279	Funds with central banks	162,894	189,279
817,702	890,837	Loans and advances to banks and other financial institutions	1,224,355	1,280,205
197,818	363,071	Financial assets designated at fair value through profit or loss	197,487	363,071
2,144,896	995,304	Loans and finance lease receivable:	1,818,467	801,852
1,261,964	*479,072*	*loans to SMEs*	*1,188,284*	*465,195*
439,749	*213,066*	*loans to other enterprises*	*395,335*	*207,543*
443,183	*303,166*	*loans to individuals*	*234,848*	*129,114*
428,622	297,838	Investment securities:	424,975	294,898
33,765	*35,908*	*available-for-sale*	*31,281*	*32,982*
394,857	*261,930*	*held to maturity*	*393,694*	*261,916*
–	–	Investment in subsidiaries	6,500	4,600
103,413	64,075	Other assets	69,069	33,637
50,573	–	Assets classified as held for sale	36,594	–
3,905,918	**2,800,404**	**Total**	**3,940,341**	**2,967,542**
		Contingent liabilities and commitments		
31,365	34,031	Guarantees and warranties	31,365	34,031
4,722	5,662	Commitments to issue letters of credit	4,722	5,662
263,453	143,270	Irrevocable lending commitments	249,729	133,359
299,540	**182,963**	**Total**	**285,816**	**173,052**
4,205,458	**2,983,367**	**Total credit risk exposure**	**4,226,157**	**3,140,594**

c) Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by industry sector and by geographical region.

The maximum Group's credit exposure to any client or counterparty as of 31 December 2007 was LTL 116 million or 22% of the capital base (31 December 2006: LTL 170 million, or 55% of the capital base) before taking into account of collateral or other credit enhancements.

As of 31 December 2007 and during the year the Group and 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 Group's and the Bank's capital (see note 36).

As of 31 December 2007 and during the year the Group and the Bank complied with the large loans requirement established by Bank of Lithuania, according to which the total amounts of loans granted to one customers and the customer's related parties that exceed 10% of the Group's and the Bank's capital may not exceed 800% of the Group's and the Bank's capital (see note 36).

An industry sector analysis of the Group's and the Bank's financial assets before taking into account any collateral held or other credit enhancements is as follows:

The Group as of 31 December 2007

LTL thousands

	Tele-com-muni-cation services	Financials	Indus-trials	Infor-mation Techno-logy	Materi-als	Energy	Con-sumer Staples	Con-sumer Discre-tionary	Health Care	Utilities	Govern-ment	Other	Total
Assets													
Cash and balances with central bank	–	–	–	–	–	–	–	–	–	–	162,894	–	162,894
Loans and advances to banks and other financial institutions	–	817,702	–	–	–	–	–	–	–	–	–	–	817,702
Financial assets designated at fair value through profit or loss	5,284	71,317	513	–	1,158	1,922	6,119	8,417	–	2,997	100,091	–	197,818
Loans and finance lease receivable	40	479,677	352,316	1,314	10,638	57,364	131,615	560,622	122,926	13,917	16,350	398,117	2,144,896
Investment securities:													
available-for-sale	*403*	*31,474*	*175*	–	*421*	*164*	–	–	–	*1,128*	–	–	*33,765*
held-to-maturity	*37,349*	*246,701*	*10,287*	*2,491*	*19,178*	*8,866*	*22,941*	*17,367*	–	*14,058*	*15,619*	–	*394,857*
Other assets	–	–	–	–	–	–	–	–	–	–	–	103,384	103,384
Assets classified as held for sale	–	50,573	–	–	–	–	–	–	–	–	–	–	50,573
Total	**43,076**	**1,697,444**	**363,291**	**3,805**	**31,395**	**68,316**	**160,675**	**586,406**	**122,926**	**32,100**	**294,954**	**501,501**	**3,905,889**

The Group as of 31 December 2006

LTL thousands

	Tele-com-muni-cation services	Financials	Indus-trials	Infor-mation Techno-logy	Materi-als	Energy	Con-sumer Staples	Con-sumer Discre-tionary	Health Care	Utilities	Govern-ment	Other	Total
Assets													
Cash and balances with central bank	–	–	–	–	–	–	–	–	–	–	189,279	–	189,279
Loans and advances to banks and other financial institutions	–	890,837	–	–	–	–	–	–	–	–	–	–	890,837
Financial assets designated at fair value through profit or loss	18,221	186,583	10,852	–	15,412	8,843	29,707	13,227	26	15,626	64,574	–	363,071
Loans and finance lease receivable	–	147,510	121,008	82	479	52,526	54,532	283,040	41,317	12,285	8,373	274,152	995,304
Investment securities:													
available-for-sale	*28*	*32,535*	*312*	–	*458*	*653*	*542*	*47*	–	*1,155*	*178*	–	*35,908*
held-to-maturity	*17,395*	*145,931*	*10,695*	*2,809*	*14,437*	*9,399*	*23,433*	*8,954*	–	*20,532*	*8,345*	–	*261,930*
Other assets	–	–	–	–	–	–	–	–	–	–	–	64,075	64,075
Total	**35,644**	**1,403,396**	**142,867**	**2,891**	**30,786**	**71,421**	**108,214**	**305,268**	**41,343**	**49,598**	**270,749**	**338,227**	**2,800,404**

The Bank as of 31 December 2007

LTL thousands

	Tele-com-muni-cation services	Financials	Indus-trials	Infor-mation Techno-logy	Materi-als	Energy	Con-sumer Staples	Con-sumer Discre-tionary	Health Care	Utilities	Govern-ment	Other	Total
Assets													
Cash and balances with central bank	–	–	–	–	–	–	–	–	–	–	162,894	–	162,894
Loans and advances to banks and other financial institutions	–	1,224,355	–	–	–	–	–	–	–	–	–	–	1,224,355
Financial assets designated at fair value through profit or loss	5,284	71,086	513	–	1,091	1,889	6,119	8,417	–	2,997	100,091	–	197,487
Loans and finance lease receivable	–	442,815	330,901	–	6,719	57,364	120,990	517,325	122,525	13,696	16,350	189,782	1,818,467
Investment securities:													
available-for-sale	*403*	*28,990*	*175*	–	*421*	*164*	–	–	–	*1,128*	–	–	*31,281*
held-to-maturity	*37,349*	*245,842*	*10,287*	*2,491*	*19,178*	*8,866*	*22,930*	*17,367*	–	*14,058*	*15,326*	–	*393,694*
Investments in subsidiaries	–	6,500	–	–	–	–	–	–	–	–	–	–	6,500
Other assets	–	–	–	–	–	–	–	–	–	–	–	69,069	69,069
Assets classified as held for sale	–	36,594	–	–	–	–	–	–	–	–	–	–	36,594
Total	**43,036**	**2,056,182**	**341,876**	**2,491**	**27,409**	**68,283**	**150,039**	**543,109**	**122,525**	**31,879**	**294,661**	**258,851**	**3,940,341**

The Bank as of 31 December 2006

LTL thousands

	Tele-com-muni-cation services	Financials	Indus-trials	Infor-mation Techno-logy	Materi-als	Energy	Con-sumer Staples	Con-sumer Discre-tionary	Health Care	Utilities	Govern-ment	Other	Total
Assets													
Cash and balances with central bank	–	–	–	–	–	–	–	–	–	–	189,279	–	189,279
Loans and advances to banks and other financial institutions	–	1,280,205	–	–	–	–	–	–	–	–	–	–	1,280,205
Financial assets designated at fair value through profit or loss	18,221	186,583	10,852	–	15,412	8,843	29,707	13,227	26	15,626	64,574	–	363,071
Loans and finance lease receivable	–	143,153	120,041	–	114	52,526	53,518	270,438	41,304	12,285	8,373	100,100	801,852
Investment securities:													
available-for-sale	–	*29,862*	*312*	–	*458*	*653*	*542*	–	–	*1,155*	–	–	*32,982*
held-to-maturity	*17,395*	*145,931*	*10,695*	*2,809*	*14,437*	*9,399*	*23,419*	*8,954*	–	*20,532*	*8,345*	–	*261,916*
Investments in subsidiaries	–	4,600	–	–	–	–	–	–	–	–	–	–	4,600
Other assets	–	–	–	–	–	–	–	–	–	–	–	33,637	33,637
Total	**35,616**	**1,790,334**	**141,900**	**2,809**	**30,421**	**71,421**	**107,186**	**292,619**	**41,330**	**49,598**	**270,571**	**133,737**	**2,967,542**

The analysis of Group's and Bank's financial assets before taking into account any collateral held or other credit enhancements by geographical region is as follows:

LTL thousands

As of 31 December 2007	The Group				The Bank			
	Group A countries	Group B countries	Group C countries	Total	Group A countries	Group B countries	Group C countries	Total
Assets								
Funds with central banks	162,894	–	–	**162,894**	162,894	–	–	**162,894**
Loans and advances to banks and other financial institutions	762,387	55,315	–	**817,702**	1,133,978	90,377	–	**1,224,355**
Financial assets designated at fair value through profit or loss	194,088	3,730	–	**197,818**	193,790	3,697	–	**197,487**
Loans and finance lease receivable	2,034,951	86,596	23,349	**2,144,896**	1,740,686	54,432	23,349	**1,818,467**
Investment securities:								
available-for-sale	*27,748*	*6,017*	–	***33,765***	*25,264*	*6,017*	–	***31,281***
held-to-maturity	*268,016*	*116,692*	*10,149*	***394,857***	*267,150*	*116,505*	*10,039*	***393,694***
Investments in subsidiaries	–	–	–	**–**	6,500	–	–	**6,500**
Other assets	68,791	29,612	4,981	**103,384**	64,088	–	4,981	**69,069**
Assets classified as held for sale	50,573	–	–	**50,573**	36,594	–	–	**36,594**
Total	**3,569,448**	**297,962**	**38,479**	**3,905,889**	**3,630,944**	**271,028**	**38,369**	**3,940,341**

As of 31 December 2006	The Group				The Bank			
	Group A countries	Group B countries	Group C countries	Total	Group A countries	Group B countries	Group C countries	Total
Assets								
Funds with central banks	189,279	–	–	**189,279**	189,279	–	–	**189,279**
Loans and advances to banks and other financial institutions	790,876	90,952	9,009	**890,837**	1,195,441	75,755	9,009	**1,280,205**
Financial assets designated at fair value through profit or loss	328,827	21,320	12,924	**363,071**	328,827	21,320	12,924	**363,071**
Loans and finance lease receivable	957,910	22,930	14,464	**995,304**	768,538	18,850	14,464	**801,852**
Investment securities:								
available-for-sale	*29,356*	*6,552*	–	***35,908***	*26,430*	*6,552*	–	***32,982***
held-to-maturity	*193,255*	*62,617*	*6,058*	***261,930***	*193,255*	*62,603*	*6,058*	***261,916***
Investments in subsidiaries	–	–	–	**–**	4,600	–	–	**4,600**
Other assets	27,861	34,880	1,334	**64,075**	23,542	8,761	1,334	**33,637**
Total	**2,517,364**	**239,251**	**43,789**	**2,800,404**	**2,729,912**	**193,841**	**43,789**	**2,967,542**

Group A countries consist of countries that meet one of the following criteria: (i) have a credit rating of at least AA-/Aa3 or higher; and/or (ii) belong to the EU or OECD; and/or (iii) have special borrowing agreements signed with the International Monetary Fund (IMF).

Group B countries consist of countries that do not qualify for Group A and have a credit rating ranging from A+/A1 to B-/B3.

Group C countries consist of countries that do not qualify for Group A or Group B and/or are included in the list of countries approved by the Finance Minister of the Republic of Lithuania with no regards to other factors.

As of 31 December 2007, largest single country concentrations of Group's financial assets without taking into account any collateral held or other credit enhancements were in Lithuania - 61.5%, Germany – 5.6%, United Kingdom – 4.8%, Russia – 4.0%, USA – 3.5% (as of 31 December 2006: Lithuania 49.2%, United Kingdom 13.3%, USA 6.5%, Russia 4.8%, Germany 4.0%).

d) Credit quality of financial assets

The credit quality of financial assets of the Group and the Bank is managed by using internal credit ratings. Exposures are rated to 5 internal risk grades. Grade 1 represents best credit quality and Grade 5 represents the worst credit quality.

For the counterparties that have external credit ratings, internal ratings are assigned based on the following principles: Grade 1 is assigned to counterparties that have a long-term credit rating of at least A-/A3; Grade 2 is assigned to counterparties that have a credit rating ranging from BBB+/Baa1 to BBB-/Baa3; Grade 3 is assigned to counterparties that have a credit rating ranging from BB+/Ba1 to B-/B3. For the banks or foreign bank branches registered in Lithuania, internal rating higher by one grade to that which would result from the before mentioned principle, is assigned.

As of 31 December 2007 the Group's financial assets by internal credit ratings were as follows:

LTL thousands

The Group	Neither past due nor individually impaired					Past due or individually impaired	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		
Funds with central banks	162,894	–	–	–	–	–	162,894
Loans and advances to banks and other financial institutions	567,192	166,495	84,015	–	–	–	817,702
Financial assets held for trading	128,726	66,782	2,310	–	–	–	197,818
Loans and finance lease receivable:	356,413	859,409	637,017	34,831	103	257,123	2,144,896
loans to SMEs	*73,730*	*582,479*	*500,277*	*32,867*	*16*	*72,595*	*1,261,964*
loans to other enterprises	*65,608*	*99,882*	*134,770*	*1,852*	–	*137,637*	*439,749*
loans to individuals	*217,075*	*177,048*	*1,970*	*112*	*87*	*46,891*	*443,183*
Investment securities:	206,367	93,490	128,765	–	–	–	428,622
available-for-sale	*1*	*13,510*	*20,254*	–	–	–	*33,765*
held-to-maturity	*206,366*	*79,980*	*108,511*	–	–	–	*394,857*
Other assets	4,063	80,060	18,979	–	–	282	103,384
Assets classified as held for sale	–	50,573	–	–	–	–	50,573
Total	**1,425,655**	**1,316,809**	**871,086**	**34,831**	**103**	**257,405**	**3,905,889**

As of 31 December 2006 the Group's financial assets by internal credit ratings were as follows:

LTL thousands

The Group	Neither past due nor individually impaired					Past due or individually impaired	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		
Funds with central banks	189,279	–	–	–	–	–	189,279
Loans and advances to banks and other financial institutions	686,397	128,644	45,910	29,635	–	251	890,837
Financial assets held for trading	196,052	156,268	10,751	–	–	–	363,071
Loans and finance lease receivable:	271,652	373,952	102,566	23,045	–	224,089	995,304
loans to SMEs	*29,591*	*243,096*	*95,406*	*22,798*	–	*88,181*	*479,072*
loans to other enterprises	*73,140*	*41,763*	*6,767*	*247*	–	*91,149*	*213,066*
loans to individuals	*168,921*	*89,093*	*393*	–	–	*44,759*	*303,166*
Investment securities:	150,200	80,395	67,243	–	–	–	297,838
available-for-sale	*277*	*15,621*	*20,010*	–	–	–	*35,908*
held-to-maturity	*149,923*	*64,774*	*47,233*	–	–	–	*261,930*
Other assets	4,070	59,245	111	–	–	649	64,075
Total	**1,497,650**	**798,504**	**226,581**	**52,680**	**–**	**224,989**	**2,800,404**

As of 31 December 2007 the Bank's financial assets by internal credit ratings were as follows:

LTL thousands

The Bank	Neither past due nor individually impaired					Past due or individually impaired	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		
Funds with central banks	162,894	–	–	–	–	–	162,894
Loans and advances to banks and other financial institutions	567,192	408,450	248,713	–	–	–	1,224,355
Financial assets held for trading	128,726	66,451	2,310	–	–	–	197,487
Loans and finance lease receivable:	180,791	821,417	583,246	29,990	87	202,936	1,818,467
loans to SMEs	*71,803*	*556,247*	*476,699*	*29,878*	–	*53,657*	*1,188,284*
loans to other enterprises	*65,608*	*88,122*	*104,577*	–	–	*137,028*	*395,335*
loans to individuals	*43,380*	*177,048*	*1,970*	*112*	*87*	*12,251*	*234,848*
Investment securities:	205,723	93,182	126,070	–	–	–	424,975
available-for-sale	*1*	*13,510*	*17,770*	–	–	–	*31,281*
held-to-maturity	*205,722*	*79,672*	*108,300*	–	–	–	*393,694*
Investment in subsidiaries	–	3,500	3,000	–	–	–	6,500
Other assets	4,063	45,886	18,979	–	–	141	69,069
Assets classified as held for sale	–	36,594	–	–	–	–	36,594
Total	**1,249,389**	**1,475,480**	**982,318**	**29,990**	**87**	**203,077**	**3,940,341**

As of 31 December 2006 the Bank's financial assets by internal credit ratings were as follows: LTL thousands

The Bank	Neither past due nor individually impaired					Past due or individually impaired	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		
Funds with central banks	189,279	–	–	–	–	–	189,279
Loans and advances to banks and other financial institutions	686,397	261,009	298,919	29,635	–	4,245	1,280,205
Financial assets held for trading	196,052	156,268	10,751	–	–	–	363,071
Loans and finance lease receivable:	128,660	363,673	94,894	23,045	–	191,580	801,852
loans to SMEs	*29,410*	*235,616*	*90,458*	*22,798*	–	*86,913*	*465,195*
loans to other enterprises	*73,140*	*38,964*	*4,043*	*247*	–	*91,149*	*207,543*
loans to individuals	*26,110*	*89,093*	*393*	–	–	*13,518*	*129,114*
Investment securities:	149,923	80,216	64,759	–	–	–	294,898
available-for-sale	–	*15,456*	*17,526*	–	–	–	*32,982*
held-to-maturity	*149,923*	*64,760*	*47,233*	–	–	–	*261,916*
Investment in subsidiaries	–	1,600	3,000	–	–	–	4,600
Other assets	4,070	28,816	111	–	–	640	33,637
Total	**1,354,381**	**891,582**	**472,434**	**52,680**	**–**	**196,465**	**2,967,542**

e) Aging analysis of financial assets

As of 31 December 2007 the Group's financial assets by aging intervals were: LTL thousands

	Neither past due nor individually impaired	Past due but not individually impaired					Individually impaired						Total
		<= 30 days	31–60 days	61 days–1 year	More than 1 year	Total	Not past due	<=30 days	31–60 days	61 days–1 year	More than 1 year	Total	
Funds with central banks	162,894	–	–	–	–	–	–	–	–	–	–	–	162,894
Loans and advances to banks and other financial institutions	817,702	–	–	–	–	–	–	–	–	–	–	–	817,702
Financial assets designated at fair value through profit or loss	197,818	–	–	–	–	–	–	–	–	–	–	–	197,818
Loans and finance lease receivable	1,887,773	81,795	14,478	8,928	292	105,493	134,732	638	7,660	7,472	1,128	151,630	2,144,896
loans to SMEs	*1,189,369*	*33,548*	*10,983*	*5,795*	–	*50,326*	*19,811*	*564*	*128*	*1,656*	*110*	*22,269*	*1,261,964*
loans to other enterprises	*302,112*	*19,716*	*1,646*	*2,293*	–	*23,655*	*113,982*	–	–	–	–	*113,982*	*439,749*
loans to individuals	*396,292*	*28,531*	*1,849*	*840*	*292*	*31,512*	*939*	*74*	*7,532*	*5,816*	*1,018*	*15,379*	*443,183*
Investment securities:	428,622	–	–	–	–	–	–	–	–	–	–	–	428,622
available-for-sale	*33,765*	–	–	–	–	–	–	–	–	–	–	–	*33,765*
held-to-maturity	*394,857*	–	–	–	–	–	–	–	–	–	–	–	*394,857*
Other assets	103,102	140	–	–	–	140	142	–	–	–	–	142	103,384
Assets classified as held for sale	50,573	–	–	–	–	–	–	–	–	–	–	–	50,573
Total	**3,648,484**	**81,935**	**14,478**	**8,928**	**292**	**105,633**	**134,874**	**638**	**7,660**	**7,472**	**1,128**	**151,772**	**3,905,889**

As of 31 December 2006 the Group's financial assets by aging intervals were: LTL thousands

	Neither past due nor individually impaired	Past due but not individually impaired					Individually impaired						Total
		<= 30 days	31–60 days	61 days–1 year	More than 1 year	Total	Not past due	<=30 days	31–60 days	61 days–1 year	More than 1 year	Total	
Funds with central banks	189,279	–	–	–	–	–	–	–	–	–	–	–	189,279
Loans and advances to banks and other financial institutions	890,586	251	–	–	–	251	–	–	–	–	–	–	890,837
Financial assets designated at fair value through profit or loss	363,071	–	–	–	–	–	–	–	–	–	–	–	363,071
Loans and finance lease receivable	771,215	119,009	763	2,285	–	122,057	45,175	38,438	10,337	8,072	10	102,032	995,304
loans to SMEs	*390,891*	*72,976*	*188*	*961*	–	*74,125*	*5,205*	*5,917*	*118*	*2,816*	–	*14,056*	*479,072*
loans to other enterprises	*121,917*	*18,850*	*237*	–	–	*19,087*	*39,307*	*32,456*	*120*	*179*	–	*72,062*	*213,066*
loans to individuals	*258,407*	*27,183*	*338*	*1,324*	–	*28,845*	*663*	*65*	*10,099*	*5,077*	*10*	*15,914*	*303,166*
Investment securities:	297,838	–	–	–	–	–	–	–	–	–	–	–	297,838
available-for-sale	*35,908*	–	–	–	–	–	–	–	–	–	–	–	*35,908*
held-to-maturity	*261,930*	–	–	–	–	–	–	–	–	–	–	–	*261,930*
Other assets	63,426	582	–	–	–	582	67	–	–	–	–	67	64,075
Total	**2,575,415**	**119,842**	**763**	**2,285**	**–**	**122,890**	**45,242**	**38,438**	**10,337**	**8,072**	**10**	**102,099**	**2,800,404**

As of 31 December 2007 the Bank's financial assets by aging intervals were: LTL thousands

	Neither past due nor individually impaired	Past due but not individually impaired					Individually impaired						Total
		<= 30 days	31–60 days	61 days–1 year	More than 1 year	Total	Not past due	<=30 days	31–60 days	61 days–1 year	More than 1 year	Total	
Funds with central banks	162,894	–	–	–	–	–	–	–	–	–	–	–	162,894
Loans and advances to banks and other financial institutions	1,224,355	–	–	–	–	–	–	–	–	–	–	–	1,224,355
Financial assets designated at fair value through profit or loss	197,487	–	–	–	–	–	–	–	–	–	–	–	197,487
Loans and finance lease receivable	1,615,531	41,181	13,714	8,251	292	63,438	134,732	638	916	2,084	1,128	139,498	1,818,467
loans to SMEs	*1,134,627*	*15,319*	*10,469*	*5,695*	–	*31,483*	*19,811*	*564*	*42*	*1,647*	*110*	*22,174*	*1,188,284*
loans to other enterprises	*258,307*	*19,188*	*1,565*	*2,293*	–	*23,046*	*113,982*	–	–	–	–	*113,982*	*395,335*
loans to individuals	*222,597*	*6,674*	*1,680*	*263*	*292*	*8,909*	*939*	*74*	*874*	*437*	*1,018*	*3,342*	*234,848*
Investment securities:	424,975	–	–	–	–	–	–	–	–	–	–	–	424,975
available-for-sale	*31,281*	–	–	–	–	–	–	–	–	–	–	–	*31,281*
held-to-maturity	*393,694*	–	–	–	–	–	–	–	–	–	–	–	*393,694*
Investment in subsidiaries	6,500	–	–	–	–	–	–	–	–	–	–	–	6,500
Other assets	68,928	140	–	–	–	140	1	–	–	–	–	1	69,069
Assets classified as held for sale	36,594	–	–	–	–	–	–	–	–	–	–	–	36,594
Total	**3,737,264**	**41,321**	**13,714**	**8,251**	**292**	**63,578**	**134,733**	**638**	**916**	**2,084**	**1,128**	**139,499**	**3,940,341**

As of 31 December 2006 the Bank's financial assets by aging intervals were:

LTL thousands

		Past due but not individually impaired					Individually impaired						
	Neither past due nor individually impaired	<= 30 days	31–60 days	61 days–1 year	More than 1 year	Total	Not past due	<=30 days	31–60 days	61 days–1 year	More than 1 year	Total	Total
Funds with central banks	189,279	–	–	–	–	–	–	–	–	–	–	–	189,279
Loans and advances to banks and other financial institutions	1,275,960	4,245	–	–	–	4,245	–	–	–	–	–	–	1,280,205
Financial assets designated at fair value through profit or loss	363,071	–	–	–	–	–	–	–	–	–	–	–	363,071
Loans and finance lease receivable	610,272	101,208	685	2,070	–	103,963	45,175	38,438	711	3,293	–	87,617	801,852
loans to SMEs	*378,282*	*72,047*	*110*	*746*	–	*72,903*	*5,205*	*5,917*	*90*	*2,798*	–	*14,010*	*465,195*
loans to other enterprises	*116,394*	*18,850*	*237*	–	–	*19,087*	*39,307*	*32,456*	*120*	*179*	–	*72,062*	*207,543*
loans to individuals	*115,596*	*10,311*	*338*	*1,324*	–	*11,973*	*663*	*65*	*501*	*316*	–	*1,545*	*129,114*
Investment securities:	294,898	–	–	–	–	–	–	–	–	–	–	–	294,898
available-for-sale	*32,982*	–	–	–	–	–	–	–	–	–	–	–	*32,982*
held-to-maturity	*261,916*	–	–	–	–	–	–	–	–	–	–	–	*261,916*
Investment in subsidiaries	4,600	–	–	–	–	–	–	–	–	–	–	–	4,600
Other assets	32,997	582	–	–	–	582	58	–	–	–	–	58	33,637
Total	**2,771,077**	**106,035**	**685**	**2,070**	**–**	**108,790**	**45,233**	**38,438**	**711**	**3,293**	**–**	**87,675**	**2,967,542**

f) Impairment of financial assets

As of 31 December 2007, amounts of provisions for the impairment of the assets per class of financial assets were as follows:

LTL thousands

	The Group			The Bank		
	Value gross of provisions	Provisions for the impairment	Value net of provisions	Value gross of provisions	Provisions for the impairment	Value net of provisions
Funds with central banks	162,894	–	162,894	162,894	–	162,894
Loans and advances to banks and other financial institutions	817,702	–	817,702	1,224,355	–	1,224,355
Financial assets designated at fair value through profit or loss	197,818	–	197,818	197,487	–	197,487
Loans and finance lease receivable	2,210,435	(65,539)	2,144,896	1,875,267	(56,800)	1,818,467
loans to SMEs	*1,277,492*	*(15,528)*	*1,261,964*	*1,203,752*	*(15,468)*	*1,188,284*
loans to other enterprises	*479,469*	*(39,720)*	*439,749*	*435,055*	*(39,720)*	*395,335*
loans to individuals	*453,474*	*(10,291)*	*443,183*	*236,460*	*(1,612)*	*234,848*
Investment securities:	428,622	–	428,622	424,975	–	424,975
available-for-sale	*33,765*	–	*33,765*	*31,281*	–	*31,281*
held-to-maturity	*394,857*	–	*394,857*	*393,694*	–	*393,694*
Investment in subsidiaries	–	–	–	6,500	–	6,500
Other assets	106,420	(3,036)	103,384	69,878	(809)	69,069
Assets classified as held for sale	50,573	–	50,573	36,594	–	36,594
Total	**3,974,464**	**(68,575)**	**3,905,889**	**3,997,950**	**(57,609)**	**3,940,341**

As of 31 December 2006, amounts of provisions for the impairment of the assets per class of financial assets were as follows:

LTL thousands

	The Group			The Bank		
	Value gross of provisions	Provisions for the impairment	Value net of provisions	Value gross of provisions	Provisions for the impairment	Value net of provisions
Funds with central banks	189,279	–	189,279	189,279	–	189,279
Loans and advances to banks and other financial institutions	890,837	–	890,837	1,280,205	–	1,280,205
Financial assets designated at fair value through profit or loss	363,071	–	363,071	363,071	–	363,071
Loans and finance lease receivable	1,051,027	(55,723)	995,304	852,116	(50,264)	801,852
loans to SMEs	*490,874*	*(11,802)*	*479,072*	*476,992*	*(11,797)*	*465,195*
loans to other enterprises	*250,652*	*(37,586)*	*213,066*	*245,129*	*(37,586)*	*207,543*
loans to individuals	*309,501*	*(6,335)*	*303,166*	*129,995*	*(881)*	*129,114*
Investment securities:	297,838	–	297,838	294,898	–	294,898
available-for-sale	*35,908*	–	*35,908*	*32,982*	–	*32,982*
held-to-maturity	*261,930*	–	*261,930*	*261,916*	–	*261,916*
Investment in subsidiaries	–	–	–	4,600	–	4,600
Other assets	68,088	(4,013)	64,075	35,338	(1,701)	33,637
Total	**2,860,140**	**(59,736)**	**2,800,404**	**3,019,507**	**(51,965)**	**2,967,542**

As of 31 December 2007, provisions for off-balance sheet items made LTL'000 0 (2006: LTL'000 3,883).

Movements in the provision for impairment losses on financial assets for the period are as follows:

LTL thousands

The Group	Loans and advances to banks and other financial institutions	Loans and advances to customers:				Other assets	Total
		Loans to SMEs	Loans to other enterprises	Loans to individuals	Total		
As of 31 December 2005	**3,142**	**5,045**	**4,067**	**4,354**	**13,466**	**7,205**	**23,813**
Reversal of provisions	(19,944)	(12,781)	(21,407)	(2,901)	(37,089)	(13,721)	(70,754)
Provisions written off	–	(861)	–	(1,798)	(2,659)	(24)	(2,683)
Currency exchange rate effect	(68)	16	(771)	(225)	(980)	(7)	(1,055)
Provision charged	16,870	20,383	55,697	6,905	82,985	10,560	110,415
As of 31 December 2006	**–**	**11,802**	**37,586**	**6,335**	**55,723**	**4,013**	**59,736**
Reversal of provisions	–	(25,296)	(37,862)	(3,023)	(66,181)	(1,612)	(67,793)
Provisions written off	–	(1)	(8,689)	(3,141)	(11,831)	(59)	(11,890)
Currency exchange rate effect	–	(119)	(1,345)	(87)	(1,551)	(138)	(1,689)
Provision charged	–	29,142	50,030	10,207	89,379	832	90,211
As of 31 December 2007	**–**	**15,528**	**39,720**	**10,291**	**65,539**	**3,036**	**68,575**

LTL thousands

The Bank	Loans and advances to banks and other financial institutions	Loans and advances to customers: Loans to SMEs	Loans to other enterprises	Loans to individuals	Total	Other assets	Total
As of 31 December 2005	**3,142**	**5,010**	**4,067**	**1,638**	**10,715**	**4,932**	**18,789**
Reversal of provisions	(19,944)	(12,781)	(21,407)	(2,901)	(37,089)	(13,725)	(70,758)
Provisions written off	–	(823)	–	(432)	(1,255)	(24)	(1,279)
Currency exchange rate effect	(68)	16	(771)	–	(755)	(42)	(865)
Provision charged	16,870	20,375	55,697	2,576	78,648	10,560	106,078
As of 31 December 2006	**–**	**11,797**	**37,586**	**881**	**50,264**	**1,701**	**51,965**
Reversal of provisions	–	(25,296)	(37,862)	(3,023)	(66,181)	(1,612)	(67,793)
Provisions written off	–	–	(8,689)	–	(8,689)	(58)	(8,747)
Currency exchange rate effect	–	(115)	(1,345)	(6)	(1,466)	(53)	(1,519)
Provision charged	–	29,082	50,030	3,760	82,872	831	83,703
As of 31 December 2007	**–**	**15,468**	**39,720**	**1,612**	**56,800**	**809**	**57,609**

Movements in the provision for off-balance sheet items for the period is as follows:

LTL thousands

The Group 2007	The Group 2006		The Bank 2007	The Bank 2006
		Provisions for off-balance sheet items		
3,883	5	Balance at year-begin	3,883	5
(4,881)	(811)	Reversal of provisions	(4,881)	(811)
–	–	Provisions written-off	–	–
(11)	(7)	Currency exchange effect	(11)	(7)
1,009	4,696	Provisions charged	1,009	4,696
–	**3,883**	**Balance at year-end**	**–**	**3,883**

g) Collateral and other credit enhancements

The Group as of 31 December 2007

LTL thousands

	Neither past due nor impaired			Past due but not impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	162,894	–	162,894	–	–	–	–	–	–	162,894	–	162,894
Loans and advances to banks and other financial institutions	817,702	80,179	737,523	–	–	–	–	–	–	817,702	80,179	737,523
Financial assets held for trading	197,818	–	197,818	–	–	–	–	–	–	197,818	–	197,818
Loans and finance lease receivable:	1,887,773	1,524,597	363,176	105,493	98,046	7,447	151,630	144,383	7,247	2,144,896	1,767,026	377,870
loans to SMEs	*1,189,369*	*989,357*	*200,012*	*50,326*	*48,502*	*1,824*	*22,269*	*21,534*	*735*	*1,261,964*	*1,059,393*	*202,571*
loans to other enterprises	*302,112*	*229,217*	*72,895*	*23,655*	*23,214*	*441*	*113,982*	*112,618*	*1,364*	*439,749*	*365,049*	*74,700*
loans to individuals	*396,292*	*306,023*	*90,269*	*31,512*	*26,330*	*5,182*	*15,379*	*10,231*	*5,148*	*443,183*	*342,584*	*100,599*
Investment securities:	428,622	–	428,622	–	–	–	–	–	–	428,622	–	428,622
available-for-sale	*33,765*	–	*33,765*	–	–	–	–	–	–	*33,765*	–	*33,765*
held-to-maturity	*394,857*	–	*394,857*	–	–	–	–	–	–	*394,857*	–	*394,857*
Other assets	103,102	–	103,102	140	–	140	142	–	142	103,384	–	103,384
Assets classified as held for sale	50,573	–	50,573	–	–	–	–	–	–	50,573	–	50,573
Total	**3,648,484**	**1,604,776**	**2,043,708**	**105,633**	**98,046**	**7,587**	**151,772**	**144,383**	**7,389**	**3,905,889**	**1,847,205**	**2,058,684**

The Group as of 31 December 2006

LTL thousands

	Neither past due nor impaired			Past due but not impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	189,279	–	189,279	–	–	–	–	–	–	189,279	–	189,279
Loans and advances to banks and other financial institutions	890,586	75,977	814,609	251	251	–	–	–	–	890,837	76,228	814,609
Financial assets held for trading	363,071	–	363,071	–	–	–	–	–	–	363,071	–	363,071
Loans and finance lease receivable:	771,215	648,318	122,897	122,057	100,905	21,152	102,032	64,427	37,605	995,304	813,650	181,654
loans to SMEs	*390,891*	*334,982*	*55,909*	*74,125*	*59,751*	*14,374*	*14,056*	*12,230*	*1,826*	*479,072*	*406,963*	*72,109*
loans to other enterprises	*121,917*	*108,424*	*13,493*	*19,087*	*19,087*	–	*72,062*	*41,212*	*30,850*	*213,066*	*168,723*	*44,343*
loans to individuals	*258,407*	*204,912*	*53,495*	*28,845*	*22,067*	*6,778*	*15,914*	*10,985*	*4,929*	*303,166*	*237,964*	*65,202*
Investment securities:	297,838	–	297,838	–	–	–	–	–	–	297,838	–	297,838
available-for-sale	*35,908*	–	*35,908*	–	–	–	–	–	–	*35,908*	–	*35,908*
held-to-maturity	*261,930*	–	*261,930*	–	–	–	–	–	–	*261,930*	–	*261,930*
Other assets	63,426	–	63,426	582	–	582	67	–	67	64,075	–	64,075
Total	**2,575,415**	**724,295**	**1,851,120**	**122,890**	**101,156**	**21,734**	**102,099**	**64,427**	**37,672**	**2,800,404**	**889,878**	**1,910,526**

The Bank as of 31 December 2007 LTL thousands

	Neither past due nor impaired			Past due but not impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	162,894	–	162,894	–	–	–	–	–	–	162,894	–	162,894
Loans and advances to banks and other financial institutions	1,224,355	80,179	1,144,176	–	–	–	–	–	–	1,224,355	80,179	1,144,176
Financial assets held for trading	197,487	–	197,487	–	–	–	–	–	–	197,487	–	197,487
Loans and finance lease receivable:	1,615,531	1,297,155	318,376	63,438	58,089	5,349	139,498	135,651	3,847	1,818,467	1,490,895	327,572
loans to SMEs	*1,134,627*	*934,615*	*200,012*	*31,483*	*29,659*	*1,824*	*22,174*	*21,439*	*735*	*1,188,284*	*985,713*	*202,571*
loans to other enterprises	*258,307*	*189,420*	*68,887*	*23,046*	*22,922*	*124*	*113,982*	*112,618*	*1,364*	*395,335*	*324,960*	*70,375*
loans to individuals	*222,597*	*173,120*	*49,477*	*8,909*	*5,508*	*3,401*	*3,342*	*1,594*	*1,748*	*234,848*	*180,222*	*54,626*
Investment securities:	424,975	–	424,975	–	–	–	–	–	–	424,975	–	424,975
available-for-sale	*31,281*	–	*31,281*	–	–	–	–	–	–	*31,281*	–	*31,281*
held-to-maturity	*393,694*	–	*393,694*	–	–	–	–	–	–	*393,694*	–	*393,694*
Investment in subsidiaries	6,500	–	6,500	–	–	–	–	–	–	6,500	–	6,500
Other assets	68,928	–	68,928	140	–	140	1	–	1	69,069	–	69,069
Assets classified as held for sale	36,594	–	36,594	–	–	–	–	–	–	36,594	–	36,594
Total	**3,737,264**	**1,377,334**	**2,359,930**	**63,578**	**58,089**	**5,489**	**139,499**	**135,651**	**3,848**	**3,940,341**	**1,571,074**	**2,369,267**

The Bank as of 31 December 2006 LTL thousands

	Neither past due nor impaired			Past due but not impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	189,279	–	189,279	–	–	–	–	–	–	189,279	–	189,279
Loans and advances to banks and other financial institutions	1,275,960	75,977	1,199,983	4,245	251	3,994	–	–	–	1,280,205	76,228	1,203,977
Financial assets held for trading	363,071	–	363,071	–	–	–	–	–	–	363,071	–	363,071
Loans and finance lease receivable:	610,272	517,702	92,570	103,963	85,724	18,239	87,617	53,617	34,000	801,852	657,043	144,809
loans to SMEs	*378,282*	*322,373*	*55,909*	*72,903*	*58,529*	*14,374*	*14,010*	*12,184*	*1,826*	*465,195*	*393,086*	*72,109*
loans to other enterprises	*116,394*	*105,700*	*10,694*	*19,087*	*19,087*	–	*72,062*	*41,212*	*30,850*	*207,543*	*165,999*	*41,544*
loans to individuals	*115,596*	*89,629*	*25,967*	*11,973*	*8,108*	*3,865*	*1,545*	*221*	*1,324*	*129,114*	*97,958*	*31,156*
Investment securities:	294,898	–	294,898	–	–	–	–	–	–	294,898	–	294,898
available-for-sale	*32,982*	–	*32,982*	–	–	–	–	–	–	*32,982*	–	*32,982*
held-to-maturity	*261,916*	–	*261,916*	–	–	–	–	–	–	*261,916*	–	*261,916*
Investment in subsidiaries	4,600	–	4,600	–	–	–	–	–	–	4,600	–	4,600
Other assets	32,997	–	32,997	582	–	582	58	–	58	33,637	–	33,637
Total	**2,771,077**	**593,679**	**2,177,398**	**108,790**	**85,975**	**22,815**	**87,675**	**53,617**	**34,058**	**2,967,542**	**733,271**	**2,234,271**

h) Financial assets which terms have been renegotiated

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is as follows:

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
–	–	Funds with central banks	–	–
–	–	Loans and advances to banks and other financial institutions	–	–
–	–	Financial assets held for trading	–	–
22,204	28,434	Loans and finance lease receivable:	22,204	28,434
14,263	*28,065*	*loans to SMEs*	*14,263*	*28,065*
7,381	–	*loans to other enterprises*	*7,381*	–
560	*369*	*loans to individuals*	*560*	*369*
–	–	Investment securities:	–	–
–	–	*available for sale*	–	–
–	–	*held to maturity*	–	–
–	–	Investment in subsidiaries	–	–
–	–	Other assets	–	–
22,204	**28,434**	**Total**	**22,204**	**28,434**

NOTE 32 LIQUIDITY RISK AND FUNDING MANAGEMENT

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 withdrawals. The Group/Bank manages liquidity risk by projecting daily and short-term (<1 year) cash flows and analyzing long-term cash flows. Liquidity risk is limited by setting and controlling limits. The Group/Bank has an internal liquidity risk limit system of liquidity limits and ratios which include limits and ratios that must be complied with on a daily basis and action plans in case of non-compliance with these limits and ratios. In addition, limits and ratios for targets are imposed i.e. the targets which should be met by the Group's/Bank's structural divisions.

In addition to internal liquidity limits and ratios, regulatory liquidity ratio of not less than 30% is imposed by the Bank of Lithuania. It has to be complied with daily (see note 36).

As of 31 December 2007 the Group's assets and liabilities by maturity were as follows: LTL thousands

	Up to 1 month	1–3 month	3–12 months	1–5 years	5 years and up	Unlimited period	Total
Assets							
Cash and balances with central bank	202,382	–	–	–	–	–	202,382
Loans and advances to banks and other financial institutions	687,245	52,682	77,775	–	–	–	817,702
Financial assets held for trading	4,009	1,248	18,283	50,175	82,296	41,807	197,818
Loans and finance lease receivable	121,762	179,635	787,967	839,028	185,587	30,917	2,144,896
Investment securities:	17,897	51,296	125,872	159,015	40,765	33,777	428,622
available-for-sale	–	–	–	–	–	*33,765*	*33,765*
held-to-maturity	*17,897*	*51,296*	*125,872*	*159,015*	*40,765*	*12*	*394,857*
Investments in subsidiaries	–	–	–	–	–	–	–
Intangible assets	–	–	–	–	–	6,471	6,471
Property, plant and equipment	–	–	–	–	–	353,424	353,424
Investment property	–	–	–	–	–	22,318	22,318
Other assets	23,529	1,124	5,976	13,457	7,879	51,448	103,413
Assets classified as held for sale	–	–	50,573	–	–	–	50,573
Total assets	**1,056,824**	**285,985**	**1,066,446**	**1,061,675**	**316,527**	**540,162**	**4,327,619**
Liabilities							
Due to banks and other financial institutions	366,862	42,775	246,746	62,617	–	–	719,000
Due to customers	1,444,683	331,062	894,672	62,542	1,036	–	2,733,995
Debt securities in issue	–	–	–	–	–	–	–
Subordinated loans	503	–	–	8,055	93,226	–	101,784
Deferred income tax liabilities	–	–	–	–	–	39,937	39,937
Other liabilities	70,636	1,841	121,788	–	–	1,467	195,732
Liabilities directly associated with assets classified as held for sale	–	–	20,364	–	–	–	20,364
Total liabilities	**1,882,684**	**375,678**	**1,283,570**	**133,214**	**94,262**	**41,404**	**3,810,812**
Net position	**(825,860)**	**(89,693)**	**(217,124)**	**928,461**	**222,265**	**498,758**	**516,807**

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

Total assets	1,048,711	254,068	406,336	822,049	129,348	541,966	**3,202,478**
Total liabilities	1,508,883	240,198	761,517	262,646	617	42,364	**2,816,225**
Net position	**(460,172)**	**13,870**	**(355,181)**	**559,403**	**128,731**	**499,602**	**386,253**

As of 31 December 2007 the Bank's assets and liabilities by maturity were as follows: LTL thousands

	Up to 1 month	1–3 month	3–12 months	1–5 years	5 years and up	Unlimited period	Total
Assets							
Cash and balances with central bank	202,381	–	–	–	–	–	202,381
Loans and advances to banks and other financial institutions	776,943	52,676	151,457	186,956	56,323	–	1,224,355
Financial assets held for trading	4,009	1,248	18,283	50,175	82,296	41,476	197,487
Loans and finance lease receivable	98,873	145,860	659,646	711,656	172,900	29,532	1,818,467
Investment securities:	17,777	51,296	125,754	158,102	40,765	31,281	424,975
available-for-sale	–	–	–	–	–	*31,281*	*31,281*
held-to-maturity	*17,777*	*51,296*	*125,754*	*158,102*	*40,765*	–	*393,694*
Investments in subsidiaries	–	–	–	–	–	6,500	6,500
Intangible assets	–	–	–	–	–	2,347	2,347
Property, plant and equipment	–	–	–	–	–	23,424	23,424
Investment property	–	–	–	–	–	13,730	13,730
Other assets	22,013	948	4,287	12,394	7,620	21,836	69,098
Assets classified as held for sale	–	–	36,594	–	–	–	36,594
Total assets	**1,121,996**	**252,028**	**996,021**	**1,119,283**	**359,904**	**170,126**	**4,019,358**
Liabilities							
Due to banks and other financial institutions	362,398	33,788	239,274	62,617	–	–	698,077
Due to customers	1,444,683	331,062	894,672	62,542	1,036		2,733,995
Debt securities in issue	–	–	–	–	–	–	–
Subordinated loans	503	–	–	8,055	93,226	–	101,784
Deferred income tax liabilities	–	–	–	–	–	3,081	3,081
Other liabilities	41,875	75	10,160	–	–	–	52,110
Total liabilities	**1,849,459**	**364,925**	**1,144,106**	**133,214**	**94,262**	**3,081**	**3,589,047**
Net position	**(727,463)**	**(112,897)**	**(148,085)**	**986,069**	**265,642**	**167,045**	**430,311**

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

Total assets	1,022,858	225,245	572,916	908,164	128,947	167,091	**3,025,221**
Total liabilities	1,502,352	234,450	751,777	247,580	617	2,863	**2,739,639**
Net position	**(479,494)**	**(9,205)**	**(178,861)**	**660,584**	**128,330**	**164,228**	**285,582**

NOTE 33 MARKET RISK MANAGEMENT

The Group/Bank take on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products. 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 use 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 are exposed to at any time does not exceed the level of risks the Group/Bank are 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.

a) currency risk

The Group/Bank take 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 Bank of Lithuania has determined open currency position limits that must be met every day (see note 36). Aggregate open position of the Group/Bank have to be lower than 25% of eligible capital, and single open position of the Group/Bank have to be lower than 15% of eligible capital.

Concentrations of assets, liabilities and off balance sheet items as of 31 December 2007: LTL thousands

The Group	EUR	USD	LTL	Other	Total
Assets					
Cash and balances with central bank	14,844	5,958	179,742	1,838	**202,382**
Loans and advances to banks and other financial institutions	213,790	519,377	24,174	60,361	**817,702**
Financial assets held for trading	48,249	96,124	33,700	19,745	**197,818**
Loans and finance lease receivable	360,559	123,043	1,537,745	123,549	**2,144,896**
Investment securities:	144,559	253,101	27,224	3,738	**428,622**
available-for-sale	*575*	*2,291*	*27,173*	*3,726*	**33,765**
held-to-maturity	*143,984*	*250,810*	*51*	*12*	**394,857**
Investments in subsidiaries	–	–	–	–	**–**
Intangible assets	–	–	2,481	3,990	**6,471**
Property, plant and equipment	–	–	24,106	329,318	**353,424**
Investment property	–	–	22,318	–	**22,318**
Other assets	13,657	20,385	38,349	31,022	**103,413**
Assets classified as held for sale	–	–	50,573	–	**50,573**
Total assets	**795,658**	**1,017,988**	**1,940,412**	**573,561**	**4,327,619**
Liabilities					
Due to banks and other financial institutions	313,531	273,776	67,883	63,810	**719,000**
Due to customers	611,108	750,110	1,342,846	29,931	**2,733,995**
Debt securities in issue	–	–	–	–	**–**
Subordinated loans	93,729	8,055	–	–	**101,784**
Deferred income tax liabilities	–	–	5,304	34,633	**39,937**
Other liabilities	6,544	13,624	57,430	118,134	**195,732**
Liabilities directly associated with assets classified as held for sale	–	–	20,364	–	**20,364**
Total liabilities	**1,024,912**	**1,045,565**	**1,493,827**	**246,508**	**3,810,812**
Net balance sheet position	(229,254)	(27,577)	446,585	327,053	516,807
Credit commitments	113,807	9,926	135,103	4,617	263,453
Issued guarantees	10,672	1,650	18,993	50	31,365

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

Total assets	**643,628**	**959,720**	**1,139,601**	**459,529**	**3,202,478**
Total liabilities	**617,211**	**995,224**	**1,074,746**	**129,044**	**2,816,225**
Net balance sheet position	26,417	(35,504)	64,855	330,485	386,253
Credit commitments	27,324	5,999	109,872	75	143,270
Issued guarantees	6,494	2,778	23,010	1,749	34,031

Concentrations of assets, liabilities and off balance sheet items as of 31 December 2007: LTL thousands

The Bank	EUR	USD	LTL	Other	Total
Assets					
Cash and balances with central bank	14,844	5,958	179,741	1,838	**202,381**
Loans and advances to banks and other financial institutions	276,975	548,655	202,829	195,896	**1,224,355**
Financial assets held for trading	48,249	96,124	33,402	19,712	**197,487**
Loans and finance lease receivable	336,195	96,974	1,261,749	123,549	**1,818,467**
Investment securities:	144,212	252,297	24,740	3,726	**424,975**
available-for-sale	*575*	*2,291*	*24,689*	*3,726*	**31,281**
held-to-maturity	*143,637*	*250,006*	*51*	–	**393,694**
Investments in subsidiaries	–	–	6,500	–	**6,500**
Intangible assets	–	–	2,347	–	**2,347**
Property, plant and equipment	–	–	23,424	–	**23,424**
Investment property	–	–	13,730	–	**13,730**
Other assets	13,656	20,385	33,646	1,411	**69,098**
Assets classified as held for sale	–	–	36,594	–	**36,594**
Total assets	**834,131**	**1,020,393**	**1,818,702**	**346,132**	**4,019,358**
Liabilities					
Due to banks and other financial institutions	292,689	273,789	67,789	63,810	**698,077**
Due to customers	611,108	750,110	1,342,846	29,931	**2,733,995**
Debt securities in issue	–	–	–	–	**–**
Subordinated loans	93,729	8,055	–	–	**101,784**
Deferred income tax liabilities	–	–	3,081	–	**3,081**
Other liabilities	6,532	13,636	31,097	845	**52,110**
Total liabilities	**1,004,058**	**1,045,590**	**1,444,813**	**94,586**	**3,589,047**
Net balance sheet position	(169,927)	(25,197)	373,889	251,546	430,311
Credit commitments	123,033	12,415	108,853	5,428	249,729
Issued guarantees	10,672	1,650	18,993	50	31,365

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

Total assets	**643,753**	**963,455**	**1,139,826**	**278,187**	**3,025,221**
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

Sensitivity to currency risk, LTL'000s:

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Sensitivity to changes in EUR rates		
–	–	Expected rate fluctuation, %	–	–
(8,884)	213,019	Open position	50,443	233,746
–	–	Effect on profit or loss	–	–
–	–	Effect on equity	–	–
		Sensitivity to changes in USD rates		
10.39	9.61	Expected rate fluctuation, %	10.39	9.61
1,734	776	Open position	4,915	7,313
±180	±75	Effect on profit or loss	±511	±703
–	–	Effect on equity	–	–
		Sensitivity to changes in RUB rates		
3.63	1.58	Expected rate fluctuation, %	3.63	1.58
13,027	14,562	Open position	973	(34,563)
±473	±230	Effect on profit or loss	±35	±546
–	–	Effect on equity	–	–

Expected rate fluctuation is based on the actual changes from the beginning of the year till the end of the year.

In case open position is long (i.e. positive number), the increase in currency rates has positive impact on the results and the decrease in currency rates has negative impact on the results. In case open position is short (i.e. negative number), the increase in currency rates has negative impact on the results and the decrease in currency rates has positive impact on the results.

Management believes that the sensitivity to currency risk analysis as of 31 December 2006 is unrepresentative of currency risk inherent in Bank's activities because the open positions in RUB as of the year-end do not reflect the exposure during the year. Increase in open position in RUB was for short-term only and was related to transfer of currency risk from Group to Bank level as the result of conversion of the currency of loans granted by the Bank to its subsidiaries. Exceptional limits for the increased open position in RUB were approved by the board of the Bank in December 2006, and the position was closed in January 2007.

b) 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 Group/Bank has internal interest rate limits and ratios that are set in accordance to its procedures. Compliance with interest rate limits and ratios is reported on a monthly basis.

To minimize the risk of interest rate fluctuations granting loans with variable interest rate the Group/Bank sets a floor for fixed interest rates. As of 31 December 2007 loans with fixed lowest interest rate for the Group/Bank comprised LTL'000 1,155,260 (31 December 2006: LTL'000 474,317).

The table below summarizes the Group's exposure to interest rate risks as of 31 December 2007: LTL thousands

The Group	**Up to 1 month**	**1–3 month**	**3–12 months**	**1–5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Assets							
Cash and balances with central bank	52,217	–	–	–	–	150,165	**202,382**
Loans and advances to bankas and other financial institutions	610,392	51,528	77,646	–	–	78,136	**817,702**
Financial assets held for trading	152,302	–	–	–	–	45,516	**197,818**
Loans and finance lease receivable	1,060,706	152,913	556,381	337,287	12,687	24,922	**2,144,896**
Investment securities:	16,470	47,348	122,202	159,016	40,765	42,821	**428,622**
available-for-sale	–	–	–	–	–	*33,765*	**33,765**
held-to-maturity	*16,470*	*47,348*	*122,202*	*159,016*	*40,765*	*9,056*	**394,857**
Investments in subsidiaries	–	–	–	–	–	–	**–**
Intangible assets	–	–	–	–	–	6,471	**6,471**
Property, plant and equipment	–	–	–	–	–	353,424	**353,424**
Investment property	–	–	–	–	–	22,318	**22,318**
Other assets	–	–	–	–	–	103,413	**103,413**
Assets classified as held for sale	–	–	–	–	–	50,573	**50,573**
Total assets	**1,892,087**	**251,789**	**756,229**	**496,303**	**53,452**	**877,759**	**4,327,619**
Liabilities							
Due to banks and other financial institutions	153,508	95,417	279,857	9,216	–	181,002	**719,000**
Due to customers	520,058	325,364	878,556	55,372	–	954,645	**2,733,995**
Debt securities in issue	–	–	–	–	–	–	**–**
Subordinated loans	–	–	7,072	–	93,226	1,486	**101,784**
Deferred income tax liabilities	–	–	–	–	–	39,937	**39,937**
Other liabilities	–	–	109,436	–	–	86,296	**195,732**
Liabilities directly associated with assets classified as held for sale	–	–	–	–	–	20,364	**20,364**
Total liabilities	**673,566**	**420,781**	**1,274,921**	**64,588**	**93,226**	**1,283,730**	**3,810,812**
Off balance liabilities sensitive to interest rate changes	125,569	–	–	–	–	–	**125,569**
Interest sensitivity gap	1,092,952	(168,992)	(518,692)	431,715	(39,774)	(405,971)	**391,238**

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

Total assets	**1,429,411**	**218,241**	**305,790**	**394,399**	**23,180**	**831,457**	**3,202,478**
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

The table below summarizes the Bank's exposure to interest rate risks as of 31 December 2007:

LTL thousands

The Bank	Up to 1 month	1–3 month	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central bank	52,217	–	–	–	–	150,164	**202,381**
Loans and advances to bankas and other financial institutions	906,424	49,171	110,735	27,989	–	130,036	**1,224,355**
Financial assets held for trading	152,302	–	–	–	–	45,185	**197,487**
Loans and finance lease receivable	1,037,817	119,138	428,112	209,915	–	23,485	**1,818,467**
Investment securities:	16,350	47,348	122,084	158,103	40,765	40,325	**424,975**
available-for-sale	–	–	–	–	–	*31,281*	**31,281**
held-to-maturity	*16,350*	*47,348*	*122,084*	*158,103*	*40,765*	*9,044*	**393,694**
Investments in subsidiaries	–	–	–	–	–	6,500	**6,500**
Intangible assets	–	–	–	–	–	2,347	**2,347**
Property, plant and equipment	–	–	–	–	–	23,424	**23,424**
Investment property	–	–	–	–	–	13,730	**13,730**
Other assets	–	–	–	–	–	69,098	**69,098**
Assets classified as held for sale	–	–	–	–	–	36,594	**36,594**
Total assets	**2,165,110**	**215,657**	**660,931**	**396,007**	**40,765**	**540,888**	**4,019,358**
Liabilities							
Due to banks and other financial institutions	147,583	86,430	263,989	17,612	–	182,463	**698,077**
Due to customers	520,058	325,364	878,556	55,372	–	954,645	**2,733,995**
Debt securities in issue	–	–	–	–	–	–	**–**
Subordinated loans	–	–	7,072	–	93,226	1,486	**101,784**
Deferred income tax liabilities	–	–	–	–	–	3,081	**3,081**
Other liabilities	–	–	–	–	–	52,110	**52,110**
Total liabilities	**667,641**	**411,794**	**1,149,617**	**72,984**	**93,226**	**1,193,785**	**3,589,047**
Off balance liabilities sensitive to interest rate changes	125,569	–	–	–	–	–	**125,569**
Interest sensitivity gap	1,371,900	(196,137)	(488,686)	323,023	(52,461)	(652,897)	**304,742**

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

LTL thousands

Total assets	**1,444,878**	**189,780**	**431,880**	**477,557**	**23,180**	**457,946**	**3,025,221**
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

Sensitivity to interest rate risk: LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Changes in profit or loss if interest rates increased by 1 percentage point		
4,038	1,360	LTL	4,736	720
97	456	EUR	737	595
1,868	2,363	USD	1,912	2,373
82	18	Other currencies	1,136	463
6,085	**4,197**	**Total changes in profit or loss if interest rates increased by 1 percentage point**	**8,521**	**4,151**
		Changes in profit or loss if interest rates decreased by 1 percentage point		
(4,024)	(387)	LTL	(4,723)	255
510	(172)	EUR	(130)	(313)
(1,325)	(1,975)	USD	(1,369)	(1,985)
35	(18)	Other currencies	(1,019)	(463)
(4,804)	**(2,552)**	**Total changes in profit or loss if interest rates decreased by 1 percentage point**	**(7,241)**	**(2,506)**

Negative impact from the decrease in interest rates is lower than positive impact from the increase in interest rates because of the variable rate loans granted with fixed minimal interest rates.

c) trading debt securities risk

The Group/Bank is involved in proprietary trading with debt securities. The Group/Bank takes on exposure to the effects of fluctuations in the prevailing debt security prices on its financial position and cash flows.

Trading debt security risk is managed by setting priorities and diversification criteria for investment in debt securities. The trading debt security portfolio is hedged against changes in interest rates with interest rate derivatives. Loss limits are imposed on the un hedged part of the debt securities portfolio.

Concentration by sector: LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Trading debt security portfolio:		
3,967	16,173	Telecommunication services	3,967	16,173
36,891	110,510	Financials	36,891	110,510
–	9,570	Industrials	–	9,570
–	–	Information Technology	–	–
–	14,409	Materials	–	14,409
1,206	3,669	Energy	1,206	3,669
5,655	29,304	Consumer Staples	5,655	29,304
6,764	13,023	Consumer Discretionary	6,764	13,023
–	–	Health Care	–	–
1,437	15,341	Utilities	1,437	15,341
100,091	64,574	Government	100,091	64,574
156,011	**276,573**	**Total**	**156,011**	**276,573**

Concentration by country: LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Trading debt security portfolio:		
156,011	251,742	of issuers from Group A countries	156,011	251,742
–	14,918	of issuers from Group B countries	–	14,918
–	9,913	of issuers from Group C countries	–	9,913
156,011	**276,573**	**Total**	**156,011**	**276,573**

Concentration by external credit ratings: LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Trading debt security portfolio:		
144,635	260,929	investment grade	144,635	260,929
11,376	15,644	non-investment grade	11,376	15,644
156,011	**276,573**	**Total**	**156,011**	**276,573**

Investment grade debt securities are rated BBB-/Baa3 or higher.

Granularity LTL thousands

As of 31 December 2007			As of 31 December 2006	
Number of positions	Exposure, LTL thousands		Number of positions	Exposure, LTL thousands
		Size of single position:		
13	6,273	less than LTL 1 million	33	19,562
37	71,212	LTL 1 million – LTL 3 million	65	132,524
16	60,728	LTL 3 million – LTL 5 million	27	98,233
3	17,798	LTL 5 million – LTL 9 million	4	26,254
69	**156,011**	**Total**	**129**	**276,573**

Sensitivit

Trading debt security portfolio is hedged against changes in interest rate with interest rate derivatives. The sensitivity of trading debt securities portfolio (taking into account the impact of interest rate derivatives) to interest rate changes by 1 percentage point is LTL 0.8 million as of 31 December 2007 (31 December 2006: LTL 0.4 million).

d) trading equities risk

The Group/Bank is involved in proprietary trading with equities. The Group/Bank takes on exposure to the effects of fluctuations in the prevailing equity prices on its financial position and cash flows. Equity risk is managed by:

- setting priorities and diversification criteria for investment in trading equities;
- by collecting and renewing information daily on changes in price of trading equities, calculating quantitative risk estimates by using statistical VaR (value at risk) model which estimates what losses can occur due to Group's/Bank's operations in trading equity portfolio;
- by imposing value at risk limit for trading equity portfolio.

Concentration by sector

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Trading equity portfolio:		
1,317	2,048	Telecommunication services	1,317	2,048
34,426	76,073	Financials	34,195	76,073
513	1,282	Industrials	513	1,282
–	–	Information Technology	–	–
1,158	1,003	Materials	1,091	1,003
716	5,174	Energy	683	5,174
464	403	Consumer Staples	464	403
1,653	204	Consumer Discretionary	1,653	204
–	26	Health Care	–	26
1,560	285	Utilities	1,560	285
41,807	**86,498**	**Total**	**41,476**	**86,498**

Concentration by country

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Trading equity portfolio:		
38,077	77,085	of issuers from Group A countries	37,779	77,085
3,730	6,402	of issuers from Group B countries	3,697	6,402
–	3,011	of issuers from Group C countries	–	3,011
41,807	**86,498**	**Total**	**41,476**	**86,498**

Sensitivity

The sensitivity of trading equities portfolio (calculated based on 1-month VaR with a confidence interval of 99%) is LTL 2.9 million as of 31 December 2007 (31 December 2006: LTL 6.5 million).

NOTE 34 OTHER RISKS INHERENT IN GROUP'S ACTIVITY

Concentration risk is the risk to incur a relatively large losses that could threaten normal Group's activities resulting from unexpected/adverse changes in individual economic sector, geographical region, customer, asset or business segment. All the disclosures of concentration risk known to the Group's management are included in the financial statements of the Group.

Operational risk is the risk of loss resulting from inadequate or failed processes of internal control, errors or fraudulent activities of employees, malfunction of information systems, or from external events. Every employee of the Group is responsible for the management of operational risk within the extent of his/her competence. Banking services are provided pursuant to the procedures, employee authorizations and limits set by bank's policies and procedures. Transactions are controlled in all stages: preparing of documentation, accounting and transfer of funds. In order to reduce the quantity of errors arising from human factors, automatic operation control is used.

Security and uninterrupted functioning of the Group's information systems is ensured by backing up main servers, providing for alternative power supply and standby communication lines. Daily back-up copies of the data are made, contingency plans determining actions to be made in extreme conditions are in place. These procedures are described in Group's internal documents. Plans for restoring the activity of the Bank and individual subsidiaries are continuously reviewed and improved. Material operational risk events (including business line, source of risk, losses and other circumstances of the event) are registered in the database. Operational risk indicators are observed, analyzed and assessed in key areas of activity. This information enables the Group to assess the level of risk in separate areas of activity and, if necessary, implement risk mitigation measures.

Strategic risk is the risk arising from external or internal factors of Group's environment, which could result in negative impact on implementation of Group's objectives, continuity and going concern of Group's operations due to deficient or erroneous assessments.

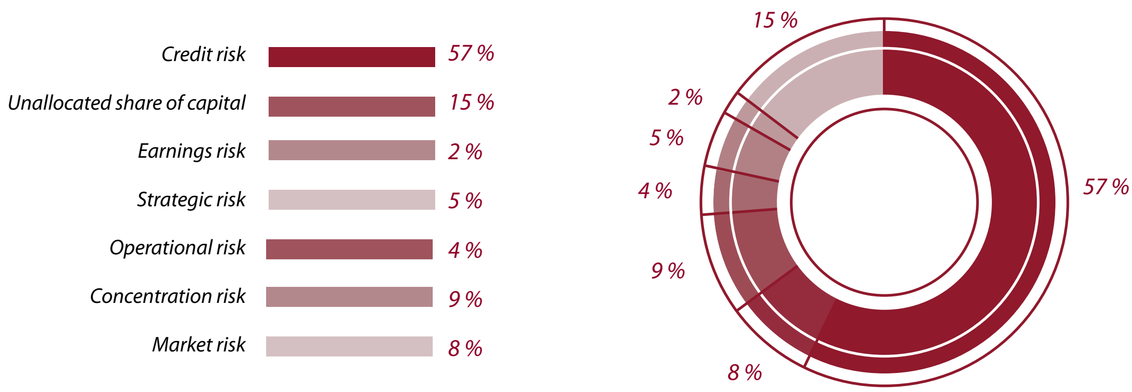
Reputation risk is the risk of adverse image of the Group's reputation in the eyes of customers / counterparties / shareholders / investors having negative impact on Group earnings or capital.

Earnings risk is the risk arising from inefficient management of the Group, inability to adequately diversify the structure of income earning assets, income streams from customer segments and business lines or inability to attain a sufficient and lasting level of Group's profitability.

NOTE 35 ALLOCATION OF CAPITAL TO COVER RISKS

In addition to calculations of capital to cover the risk, the Group calculates and plans the economic capital. In accordance with the risk management strategy, Group's allocated capital to cover the risk has to be at least 10 percent higher than calculated economic capital. The Group calculates economic capital to cover all identified major risks. In the process of calculation of Group's economic capital, credit and operational risk are assessed using standard and basic indicator approaches, additionally, the system of internal risk indicators is used to assess possible deficits of capital requirement calculated under these approaches. Internal market models and conservative stress tests are used to assess the market risk. Internal risk assessment and additional capital requirement systems are implemented for assessment of liquidity, concentration, strategic, reputation and earnings risks. In calculation of aggregate economic capital to cover risks, the Group adds up capital required for different risks without taking account of risk diversification factor due to low actual correlation of individual risks. Group's capital allocation to cover risks as of 31 December 2007 is presented below:

Group's capital allocation to cover risks



NOTE 36 COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

In 2007 and 2006, the Group and the Bank 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 2007 is presented in the table below:

LTL thousands

Ratio	Requirement	Bank's ratio	Group's ratio
Capital adequacy ratio	>= 8 %	13,37 %	14,83 %
Liquidity ratio	>= 30 %	49,43 %	46,21 %
Maximum credit exposure to a single borrower	<= 25 percent (for subsidiaries – 75%) of eligible capital	Complied	Complied
Significant loans	<= 800 % of eligible capital	217,29 %	98,31 %
Aggregate open foreign currency position	<= 25 % of eligible capital	1,51 %	3,90 %
Single open foreign currency position	<= 15 % of eligible capital	1,13 %	2,47 %

The compliance with the limits and ratios set by the Bank of Lithuania as of 31 December 2006 is presented in the table below:

LTL thousands

Ratio	Requirement	Bank's ratio	Group's ratio
Capital adequacy ratio	>= 8 %	11,00 %	13,33 %
Liquidity ratio	>= 30 %	61,33 %	61,89 %
Maximum credit exposure to a single borrower	<= 25 percent (for subsidiaries – 75%) of eligible capital	Complied	Complied
Large loans	<= 800 % of eligible capital	322,06 %	94,29 %
Aggregate open foreign currency position	<= 25 % of eligible capital	(14,77) %	6,55 %
Single open foreign currency position	<= 15 % of eligible capital	(14,60) %	4,72 %

Please also refer to the note 36 for additional details on capital adequacy ratio calculation.

NOTE 37 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 as of 31 December 2007 and 31 December 2006, calculated in accordance with the Bank of Lithuania regulations, is presented in the table below:

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Tier 1 capital		
196,708	176,708	Share capital	196,708	176,708
76,500	34,500	Share premium	76,500	34,500
38,401	12,247	Undistributed profit of previous years	36,679	6,947
(6,471)	(5,280)	Deductions	(2,347)	(1,220)
305,138	**218,175**	**Total Tier 1 capital**	**307,540**	**216,935**
		Tier 2 capital		
21,543	8,377	General reserve for losses of assets	21,543	8,377
10,451	8,191	Revaluation reserve – available-for-sale investment securities	9,257	7,484
79,874	60,145	Fixed assets revaluation reserve		–
7,546	5,492	Currency translation reserve		–
2,000	2,000	Restricted (distributable) profit	2,000	2,000
5,300	2,296	Legal reserve	4,900	2,183
95,347	3,946	Eligible for inclusion in Tier 2 capital part of subordinated loans	95,347	3,946
–	–	Deductions	(5,850)	(4,140)
222,061	**90,447**	**Total Tier 2 capital**	**127,197**	**19,850**
527,199	**308,622**	**Total Capital Base**	**434,737**	**236,785**
		Risk-weighted assets and off-balance sheet items		
3,337,343	1,970,860	Banking book risk-weighted assets and off-balance sheet items	2,995,271	1,798,371
217,040	343,590	Trading book risk-weighted assets and off-balance sheet items	255,180	354,200
3,554,383	**2,314,450**	**Total risk-weighted assets and off-balance sheet items**	**3,250,451**	**2,152,571**
8,58	**9,43**	**Tier 1 capital / Total risk-weighted assets and off-balance sheet items, %**	**9,46**	**10,08**
14,83	**13,33**	**Capital adequacy ratio, %**	**13,37**	**11,00**

NOTE 38 RELATED PARTY TRANSACTIONS

LTL thousands

The Group	Members of the Board and the Council	Shareholders	Other related parties
2007			
Loans, finance lease	2,898	–	1,819
Income	120	–	76
Deposits	1,640	–	10,458
Expenses	14	–	309
2006			
Loans, finance lease	3,758	–	480
Income	59	–	18
Deposits	502	5	299
Expenses	10	–	14

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

LTL thousands

The Bank	Members of the Board and the Council	Shareholders	Other related parties
2007			
Loans, finance lease	2,878	–	1,731
Income	119	–	57
Deposits	1,640	–	
Expenses	14	–	
2006			
Loans, finance lease	3,191	–	1,047
Income	41	–	36
Deposits	448	5	353
Expenses	9	–	15

For the year ended 31 December 2007 the Bank's management payroll and related taxes expenses amounted to LTL'000 4,382 (2006: LTL'000 2,551).

As of 31 December 2007 and for the year then ended the Bank's related party transactions were as follows:

LTL thousands

Related parties	Bank's payables	Bank's receivables	Income received	Expenses
GD UAB Bonum publicum	8,396	253	–	–
UAB Ūkio banko lizingas	844	204,676	10,872	159
UAB Ūkio banko investicijų valdymas	453	–	1	24
OAO Russkiy Karavay	315	–	–	–
UAB Turto valdymo strategija	129	64,688	3,552	1
UAB Ūkio Banko rizikos kapitalo valdymas	129	2,421	31	6
UAB Turto valdymo sistemos	85	6,010	2,940	1
UAB Turto valdymo sprendimai	17	94,000	4,067	1
RAB Ūkio bank lizing	–	36,160	1,333	–

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

As of 31 December 2007 and for the year then ended the Bank's related party transactions were as follows:

LTL thousands

Related parties	Bank's payables	Bank's receivables	Income received	Expenses
UAB Turto valdymo strategija	23,373	11,690	1,213	–
UAB Ūkio banko lizingas	1,255	133,572	8,418	129
UAB Turto valdymo sistemos	872	83,341	815	–
UAB Ūkio banko investicijų valdymas	130	–	–	2
UAB Turto valdymo sprendimai	11	76,128	441	–
RAB Ūkio bank lizing	–	3,994	53	–
OAO Russkiy Karavay	–	–	179	–

LTL thousands

The Group			The Bank	
2007	2006		2007	2006
		Claims and liabilities		
31,365	34,031	Guarantees and warranties	31,365	34,031
4,722	5,662	Commitments to issue letters of credit	4,722	5,662
263,453	143,270	Irrevocable lending commitments	249,729	133,359
27,036	431,251	Spot liabilities	27,036	431,251
27,016	431,030	Spot claims	27,016	431,030
126	98	Other off balance commitments	223	293

As of 31 December 2007 UAB Ūkio banko lizingas has finance lease contracts in the amount LTL'000 6,805 signed, but not yet executed (31 December 2006: LTL'000 2,336).

Finance lease – as of 31 December 2007 the Bank has outstanding finance lease obligations under finance lease contracts in the amount of LTL'000 172 (31 December 2006: LTL'000 1,247). 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 2007 amounting to LTL'000 70,517 (31 December 2006: LTL'000 24,524).

As of 31 December 2007 the Group's and the Bank's future annual minimum commitments under leases were following:

LTL thousands

For the year ending 31 December	2007		2006	
	Finance lease	Operating lease	Finance lease	Operating lease
2007	–	–	832	4,984
2008	122	9,528	419	3,903
2009	61	8,790	90	3,514
2010	–	8,172	–	3,092
2011	–	7,573	–	2,756
Thereafter	–	36,454	–	6,275
Minimum lease payments	**183**	**70,517**	**1,341**	**24,524**
Less: interest	(11)		(94)	
Present value of minimum lease payments	**172**		**1,247**	

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 2007 and 2006 the Group/Bank was not involved in any legal proceedings except for those related to loan loss recovery.

LTL thousands

Derivative financial instruments	The Group 2007			
	Foreign exchange purchase/sale agreements	Interest rate agreements	Related to equity	Other
Claims	**421,244**	**–**	**–**	**–**
Forward	173,533	–	–	–
Swaps	247,562	–	–	–
Put options	139	–	–	–
Call options	10	–	–	–
Liabilities	**423,035**	**125,569**	**–**	**–**
Forward	175,078	–	–	–
Swaps	247,812	–	–	–
Put options	136	–	–	–
Call options	9	–	–	–
Futures	–	125,569	–	–

LTL thousands

Derivative financial instruments	The Group 2006			
	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	–	–

LTL thousands

Derivative financial instruments	The Bank 2007			
	Foreign exchange purchase/sale agreements	Interest rate agreements	Related to equity	Other
Claims	**422,045**	**–**	**–**	**–**
Forward	174,334	–	–	–
Swaps	247,562	–	–	–
Put options	139	–	–	–
Call options	10	–	–	–
Liabilities	**423,833**	**125,569**	**–**	**–**
Forward	175,876	–	–	–
Swaps	247,812	–	–	–
Put options	136	–	–	–
Call options	9	–	–	–
Futures	–	125,569	–	–

Derivative financial instruments	The Bank			
	2007			
	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	–	–

NOTE 41 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value amounts have been determined by the Group and 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 and the 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 and the Bank as of 31 December 2007 and 2006. The Group and the Bank are not aware of any factors that could have a material impact on the amounts of these fair values.

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities that as of 31 December 2007 and 2006 had not been presented in the Group's and the Bank's balance sheet statements at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

LTL thousands

	The Group 2007		The Group 2006	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:				
Loans and advances to banks and other financial institutions	817,702	818,525	890,837	893,298
Loans and finance lease receivable	2,144,896	2,173,350	995,304	1,020,189
Securities held-to-maturity	394,857	402,850	261,930	284,535
Financial Liabilities:				
Deposits from banks and other financial institutions	719,000	718,791	589,524	591,071
Due to customers	2,733,995	2,741,670	2,117,356	2,122,289
Subordinated loans	101,784	102,676	8,563	9,681

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 42 SEGMENT ANALYSIS BY BUSINESS SEGMENT

LTL thousands

	2007				
	Banking	**Finance lease**	**Other activities**	**Elimination**	**Group**
Revenues:					
Internal	22,783	174	10,829	(33,786)	–
External	354,224	43,128	6,011	–	403,363
	377,007	**43,302**	**16,840**	**(33,786)**	**403,363**
Expenses:					
Internal	(192)	(12,142)	(20,962)	33,296	–
External	(263,998)	(20,214)	(3,054)	–	(287,266)
	(264,190)	**(32,356)**	**(24,016)**	**33,296**	**(287,266)**
Segment result	**112,817**	**10,946**	**(7,176)**	**(490)**	**116,097**
Impairment losses	(11,014)	(6,507)	(1)	–	(17,522)
Depreciation and amortization	(4,839)	(360)	(4)	–	(5,203)
Profit before tax	**96,964**	**4,079**	**(7,181)**	**(490)**	**93,372**
Income tax	(14,240)	(1,353)	(428)	–	(16,021)
Net result for the year	**82,724**	**2,726**	**(7,609)**	**(490)**	**77,351**
Attributable to:					
Equity holders of the parent	*82,724*	*2,726*	*(7,501)*	*(490)*	*77,459*
Minority interest	–	–	*(108)*	–	*(108)*
Assets	4,019,358	314,050	663,922	(669,711)	4,327,619
Liabilities	3,589,047	300,966	542,397	(621,598)	3,810,812

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, UAB Ūkio banko rizikos kapitalo valdymas and UAB Ūkio banko investicijų valdymas and GD UAB Bonum publicum.

LTL thousands

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

The Banking segment includes financial information of AB Ūkio bankas, Finance lease segment includes financial information of UAB Ūkio banko lizingas and RAB Ūkio bank lizing. Other activities segment includes financial information of OAO Russkij Karavaj, UAB Turto valdymo strategija, UAB Turto valdymo sprendimai, UAB Turto valdymo sistemos and UAB Ūkio Banko investicijų valdymas.

NOTE 43 SEGMENT ANALYSIS BY GEOGRAPHICAL SEGMENT

LTL thousands

Country	The Group			
	2007		2006	
	Revenues	Assets	Revenues	Assets
Lithuania	295,779	2,456,653	203,096	1,443,606
EU countries	47,296	897,610	48,039	871,534
USA	6,940	135,784	5,388	182,949
CIS	13,562	615,925	1,675	512,856
Other countries	16,300	221,647	11,953	191,533
Total	**379,877**	**4,327,619**	**270,151**	**3,202,478**

LTL thousands

Country	The Bank			
	2007		2006	
	Revenues	Assets	Revenues	Assets
Lithuania	271,334	2,540,605	185,658	1,648,049
EU countries	47,312	897,610	48,039	871,534
USA	6,938	135,784	5,389	182,949
CIS	12,040	223,712	1,279	149,306
Other countries	16,294	221,647	10,091	173,383
Total	**353,918**	**4,019,358**	**250,456**	**3,025,221**

INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

PRINCIPLES/ RECOMMENDATIONS	YES /NO/ IRRELEVANT	COMMENTARY
Principle I: Basic Provisions		
The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Bank's development strategy and objectives are disclosed to the shareholders in the Bank's annual report, and part of information is placed on the Bank's website.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Bank's Supervisory Council, the Board and Chief Executive Officers make every effort to implement the Bank's strategic objectives and at the same time to increase shareholder value. With this aim in view, the Bank establishes new branches in Lithuania and abroad as well as representative offices, and invests in shares of different companies to attain maximum benefit and create conditions for the expansion of the Bank's capital basis.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Bank's Supervisory Council acts in close cooperation with the Bank's Board as it helps implement the key and strategic issues of the Bank, approves the Bank's activity plans and supervises all the activities of Board and the Bank's administration. The Bank has set the produce of extending loans whereby loans of certain amounts are extended only upon receiving approval of the Supervisory Council. The Bank's Board is responsible for the development of the system allowing to determine, measure, assess and observe the Bank's activity risk. The Bank's Chief Executive Officers submit reports on implemented plans and future works to the Board.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Bank's Supervisory Council, the Board and Chief Executive Officers evaluate the contribution of the Bank's employees in the improvement of the Bank's activities and strengthening of the capital basis, and for this purpose conditions are created for the Bank's employees to advance their professional skills and comprehensively participate in the activities of the banking sector, the employees are given incentives when they propose innovative ideas concerning the improvement of the bank's operation. Decisions of the Bank's bodies help realize the ideas of our state and city, i.e. the Bank supports events, exhibitions, and invests in the cultural life of the local community.
Principle II: The corporate governance framework		
The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	Pursuant to the Lithuanian Republic laws on banks and financial institutions, the Bank, as a credit institution, has set up the Supervisory Council, the Board and elected two Chief Executive Officers.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Board, a collegial management body, performs the functions of the Bank's management, and the Supervisory Council, a collegial supervisory body, supervises the activities of the Board and how efficiently the Board performs its functions.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Irrelevant	The Bank has set up both the Supervisory Council and the Board.

2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	No	At the time of electing the present Supervisory Council of the Bank the Corporate Governance Code was not adopted, therefore the Supervisory Council was set up in the manner prescribed by the Company Law. Members of the Bank's Supervisory Council are elected by the shareholders from the candidates nominated by the shareholders therefore the procedure of setting up the Supervisory Council ensures the representation of interests of the minority shareholders.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Bank's Board comprises 5 (five) members and the Supervisory Council – 7 (seven) members. Based on the practice and opinion of the Bank's management, such number of the Board's and Supervisory Council's members is sufficient to rationally adopt decisions. Such number of Board and Supervisory Council members ensures the reception of sufficient data and information, hearing opinions and similar, which is necessary for dealing with all the issues in the optimum manner.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The Bank's Supervisory Council is elected for the period of 4 years and the number of terms of office of the Supervisory Council's member is not limited. Pursuant to the currently applicable Articles of Association of _kio bankas as well as practice, the re-election of the same members of the Supervisory Council for the next term of office is not prohibited.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Bank's Supervisory Council can conduct independent and impartial supervision since he did not take and presently does not take the office of the Chief Executive Officer of the Bank.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting

The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.

3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the formation of the Supervisory Council ensures objective and fair monitoring of the company's management bodies. The minority shareholders' right and possibility to have their representative in a collegial body is not restricted
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	No	To become member of the Bank's Supervisory Council or Board the authorization from the Bank of Lithuania has to be obtained therefore all the candidate members meet the requirements for this position. The shareholders are furnished with full information (curriculum vitaes) about the candidates and during the elections possibilities are created for them to ask questions and receive desired information from the candidates. The Bank's shareholders can also receive extensive information about the members of the Bank's collegial body at the Human Resource Department, which stores data about the members of collegial bodies.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The members of the Bank's Supervisory Council and Board present information on the qualification advancement programs related to their work in a collegial body they participated in.

3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	All the members of the Bank's Supervisory Council and Board possess required qualification. Pursuant to the Bank of Lithuania Board's Resolution No. 105, members of a Bank's Supervisory Council should have higher education, and at least two members of the Board should have a specific education, i.e. higher education in law, management and business administration or economics. The Bank's Supervisory Council and Board include members who are specialists in different fields. The members of Ūkio bankas Supervisory Council and Board meet the requirements set by the Bank of Lithuania. The members of Bank's Audit Committee have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	At the Bank, new members of the collegial bodies are granted the right to use the Bank's internal internet system, which stores all the orders, procedures and policies applicable in the Bank as well as the Bank's organizational structure in order a newly elected member of the collegial body could evaluate the current situation of the Bank and familiarize himself/herself with the bank's activities.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	The issue of independent members and the sufficient number thereof in the collegial body is currently under consideration and discussion. The Bank attempts to find a rational solution to ensure the observance of the Code's recommendations and shareholders' interests.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;	No	See commentary on the recommendation 3.6

8) He/she has not been in the position of a member of the collegial body for over than 12 years; He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	Yes	The right of the Bank's Supervisory Council to fundamentally determine of what constitutes independence is not restricted. The Supervisory Council may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he/she cannot be considered independent due to special personal or company-related circumstances
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The members of the Bank's collegial bodies adopt decisions relying on their independent opinion and seeking the maximum result for the company. As is has been mentioned, the issue of independent members in the collegial body is currently under consideration and discussion.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	See commentary on the recommendation 3.6
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's fund. The general shareholders' meeting should approve the amount of such remuneration.	No	Taking into consideration the fact that at present the form of remunerating the members of the company's Supervisory Council and/or Board for their permanent work in these bodies is still not finally clear, the Bank does not pay such remuneration and does not plan to approve its size at the general shareholders' meeting of the company. Pursuant to the provisions laid down in the Company Law of the Republic of Lithuania and the Bank's Articles of Association, members of the Supervisory Council or the Board may be remunerated for their work in the Supervisory Council or the Board by paying annual bonuses (bonuses) from the Bank's profit.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Supervisory Council elected at the Bank issues responses and recommendations concerning the company's annual Financial Statements, draft of profit distribution, the company's annual report and activities of the Board and the Bank's management to the general shareholders' meeting, and performs other functions of supervising the activities of the Bank and its management bodies ascribed to the competence of the Supervisory Council.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the data possessed by the Bank all the Supervisory Council's members act in good faith with regard to the Bank, and observe the interests of the Bank but not their own or third parties' interests, and endeavour to maintain independence when adopting decisions.

4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The Bank follows this recommendation since the members of the collegial bodies properly perform their functions, i.e. they actively participate in the meetings of the collegial body and devote sufficient time to perform their duties as collegial members.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Bank's collegial body always treats all shareholders impartially and fairly. The official regulations of the Bank's collegial body are being supplemented currently by describing more accurately the role of the members in communicating with and committing to shareholders.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Bank follows this recommendation because any transactions concluded between the Bank and its shareholders, members of the supervisory or managing bodies and similar are subject to approval of the Supervisory Council or the Board depending on the size of the transaction and the level of members with whom the transaction is concluded.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The Bank's collegial body is independent in passing decisions that are significant for the Bank's operations and strategy. Members of the collegial body act and pass decisions without an outside influence from the persons who have elected them. The Supervisory Council is independent of the Board. All the committees currently operating at the Bank are provided with all resources to discharge their duties. All the Bank's employees provide required information to the members of the Bank's Supervisory Council in order they could properly execute their functions and deal with the issues pertaining to their competence.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	So far, all the issues mentioned in this recommendation have been handled by the Bank's Board, and the Committees of Nomination and Remuneration are not established. The Bank has set up the Audit Committee, which exercises the Bank's internal audit control.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	No	The Bank has not set up the Nomination and Remuneration Committees, and the Audit Committee issues recommendations related to the audit control carried out in the Bank to the Bank's Supervisory Council and the Board.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	The Bank has not set up the Nomination and Remuneration Committees, while the Audit Committee is composed of four independent members, the number of which is intended to be increased up to five in the nearest future.

4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	The Bank has not set up the Nomination and Remuneration Committees, while the Audit Committee focuses on the independence of the audit process because otherwise the audit findings and audit material would have no sense.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	The Bank has not set up the Nomination and Remuneration Committees, while the Audit Committee works and holds its meetings in the manner prescribed in this recommendation.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	The Bank has not set up the Nomination Committee in the manner prescribed by the Code. The functions of the Nomination Committee are performed by the Board.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;	No	The Bank has not formed the Remuneration Committee in the manner prescribed by the Code.

3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.

4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.	Yes	In its activities the Bank follows the provisions of this recommendation since the Bank has set up the Audit Committee, which performs the functions that are established in the Regulations governing the activities of the Bank's Audit Committee and fundamentally do not differ from those indicated in this recommendation.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.

4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.

4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.

4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The assessment of the activities of the Bank's collegial body is conducted by a state supervisory institution – the Bank of Lithuania annually. When conducting the inspection (review), it points out all the shortcomings to be eliminated seeking efficient and productive work of the Bank's collegial body.
Principle V: The working procedure of the company's collegial bodies		
The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Bank implements this recommendation and pursuant to the paragraphs 15 and 16 of the Supervisory Council's Work Regulations – "The Council meetings shall be convened by the Council chairman, and in his/her absence – by the Council deputy chairman. The meetings may also be convened by the decision passed by not less than 1/3 of the Council members. The issues proposed by the initiators of the meeting have to be included in the agenda of these meetings. When notifying of the meetings the required material prepared for the meeting has also to be presented (theses of reports, draft resolutions, certificates, explanations and other necessary documents)." Pursuant to the paragraphs 10, 15 and 16 of the Bank Board's Work regulations – "The initiative right to convoke the meeting has any and every member of the Board. The meetings are chaired by the chairperson of the Board and in his/her absence – by the Board deputy chairman. The material on the questions under consideration has to be presented to the secretary of the Board meeting two working days before the meeting.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month .	Yes	The Bank implements this recommendation, and pursuant to the paragraph 14 of the Supervisory Council's Work regulations – "the Council's meetings shall be convened at least once a quarter. Members shall be notified of the Council's meetings being convened in writing or orally not later than 3 (three) days in advance. In separate cases, upon having the consent of all members of the Council, the meetings may be convened within a shorter time. According to the paragraph 14 of the Bank Board's Work regulations – "meetings of the Bank's Board shall be convened at least once a fortnight."
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Bank implements this recommendation, and pursuant to the paragraphs 14 and 15 of the Supervisory Council's Work Regulations – "When notifying of the meetings the required material prepared for the meeting has also to be presented (theses of reports, draft resolutions, certificates, explanations and other necessary documents). The Council's meetings shall be convened at least once a quarter. Members shall be notified about the meeting being convened in writing or orally not later than 3 (three) days in advance. In separate cases, upon having consent of all members of the Council, meetings may be convened within a shorter term."
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The Bank implements this recommendation, and pursuant to the paragraph 17 of the Supervisory Council's Work regulations – "the Bank Board's members and other Bank's managers or employees may be invited to participate in the Council's meetings with a deliberative vote. If the invited persons cannot participate in the meeting they must inform the Council's chairman or his/her deputy by stating the reason of absence."

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary registered shares comprising the Bank's capital grant equal rights to all holders of the Bank's shares.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Bank publicly informs investors about the rights granted by the new or already issued shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	As stipulated by the Bank's Articles of Association (paragraphs 14.25, 14.26, 14.27, 14.28), the Bank Board's decisions concerning the investment, transfer, lease (calculated separately for each type of transaction concerning non-current assets whose balance-sheet value is bigger than _ of the Bank's authorized capital), pledge and mortgage (the total amount of transactions is calculated) of non-current assets whose balance-sheet value is bigger than 1/20 of the Bank's authorized capital; the security and guarantee of performance of other persons' obligations whose amount is bigger than 1/20 of the bank's authorized capital; the acquisition of non-current assets at the price bigger than 1/20 of the Bank's authorized capital must be approved by the general shareholders' meeting.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The Bank implements this recommendation because the Company Law of the Republic of Lithuania also ensures equal opportunities for the shareholders to participate in the meeting and the rights and interests of the shareholders are not violated. Prior to the meeting, all shareholders interested in the activities of the Bank, may address and address the Bank's managers asking questions about the shareholders' meeting and they are furnished with extensive information.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All draft resolutions of the shareholders as well as the adopted resolutions of the shareholders are announced to all investors and persons interested in the Bank's activities via the internet information system of the Stock Exchange in the manner prescribed by law. On its website the Bank places information related to the announcement of the shareholders' meeting, draft resolutions of the shareholders' meeting as well as approved resolutions of the shareholders' meeting.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Bank's shareholders may exercise their right to participate in the general shareholders' meeting in person or via a representative if such a person holds a proper Power of Attorney or the Agreement on the transfer of a voting right has been concluded with him/her in the manner prescribed by legislation, the Bank also furnishes the shareholders with the opportunity to vote by completing a general voting baler as provided for in the Company Law.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Irrelevant	Until now there was no need for the Bank to implement this recommendation since there are not many foreign shareholders, who successfully implement their rights of a shareholders by delegating their representative to participate in the shareholders' meeting or voting in advance by completing the voting ballot.

Principle VII: The avoidance of conflicts of interest and their disclosure		
The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Bank follows these recommendations since the members of the Bank's Supervisory Council and Board must observe the provisions laid down in these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The members of the Bank's Supervisory Council and Board are familiarized with these provisions and must follow these recommendations.
Principle VIII: Company's remuneration policy		
Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Bank does not intend to announce the remuneration policy for the financial year 2007. In the future it is planned to incorporate the remuneration statement, prepared taking into account all legal circumstances, the particularity of information acceptable under our conditions as well as other factors, into the annual accounts and place it on the Bank's website.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See commentary on the recommendation 8.1
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	See commentary on the recommendation 8.1
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	See commentary on the recommendation 8.1
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	See commentary on the recommendation 8.1
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	See commentary on the recommendation 8.1

8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2)The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.	No	Until now the Bank applied the practice whereby the Bank disclosed information about the total amounts paid in remunerations, bonuses and other payments within the reporting period as well as average amounts thereof per one member of the Supervisory Council, Board or administration in the annual prospectus-report. Information is given according to separate categories of these persons, i.e. separately for the Supervisory Council, Board and administration. Loans extended and guarantees and sureties granted to the above-mentioned persons are also specified. In the future it is planned to incorporate the statement of remuneration, prepared taking into account all legal circumstances, the particularity of information acceptable under our conditions as well as other factors, into the annual accounts, and place it on the Bank's website.
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes. 8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	No	The necessity and legal opportunities of the schemes whereby directors are remunerated in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements are under consideration taking into account the Code's recommendations and seeking benefit for the Bank's shareholders.

8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Bank's management system ensures the protection of the stakeholders' rights. Employees' rights are established and assured by the Labor Code and the Bank's employment contracts with employees. Suppliers, clients and creditors have signed contracts with the Bank and on the basis thereof the Bank endeavours to observe mutual agreements in good faith, which contributes to the Bank's long-term success and good performance results. By supporting education, culture, medicine and sports, and providing other kind of social support the Bank actively participates in the local community's life and is well aware of the importance of social responsibility.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	Labor laws grant the right to the representatives of employees to submit proposals to the Bank concerning work organization, in adoption of key decisions. The Bank does not object to employee participation in the share capital.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The stakeholders are granted access to relevant information.

Principle X: Information disclosure and transparency

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

10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The Bank follows this recommendation since information about the Bank's objectives, results etc. is announced on the Bank's website, the public information system of the Exchange and in the Bank's reports.
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.		

10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.		
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Bank follows this recommendation since information is presented in the Lithuanian and English languages via the system of information disclosure of the Vilnius Stock Exchange simultaneously insofar this is possible. The Stock Exchange places this information on its website and trading system and in this way simultaneous disclosure of information to all is ensured. Furthermore, the Bank announces information only before or after a trading session of the Vilnius Stock Exchange and simultaneously presents it to all the markets where the Bank's securities are traded. The Bank does not disclose information, which might have influence on the price of securities issued by it, in commentaries, interviews or any other manner before such information is publicly announced via the information system of the Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	All information on the Bank's website is placed in the Lithuanian, English and Russian languages.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Bank follows this recommendation since it places all the information enumerated in this recommendation on tits website.

Principle XI: The selection of the company's auditor

The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.

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

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ŪKIO BANKAS GLOBAL COMPACT PROGRESS REPORT 2007

In the June 2005 Ūkio bankas joined the international initiative - United Nations Global Compact - for responsible business and undertook to implement principles of socially responsible business in the bank's operations. In 2007 Ūkio bankas kept on aligning the bank's strategies and operation with the UN Global Compact and its ten principles:

- Seek that businesses support and respect the protection of internationally proclaimed human rights within their sphere of influence;
- Make sure that businesses are not complicit in human rights abuses;
- Seek that businesses uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Seek the elimination of all forms of forced and compulsory labour;
- Seek the effective abolition of child labour;
- Seek the elimination of discrimination in respect of employment and occupation;
- Seek that businesses support a precautionary approach to environmental challenges;
- Undertake initiatives to promote greater environmental responsibility;
- Encourage the development and diffusion of environmentally friendly technologies;
- Businesses should work against corruption in all its forms, including extortion and bribery.

Below is Ūkio bankas report on the progress made in 2007 implementing those ten principles on human rights, the environment and anti- corruption.

Edita Karpavičienė
Chairwoman of the board

HUMAN RIGHTS

Principle 1: Aim that businesses support and respect the protection of internationally proclaimed human rights within their sphere of influence

Principle 2: Make sure that businesses are not complicit in human rights abuses.

Ūkio bankas adheres to these principles abiding to all acts of law of the Republic of Lithuania, international policies and practices in the field of finance. This principle is embedded in the bank's Code of Ethics with the provision forbidding the Bank's officers to propagate and encourage any illegal discrimination for sex, race, language, religion, political contacts, colour, citizenship, age, education, health and family status. The bank's Code of Ethics also clearly defines respect of human rights in relationship with partners.

The Bank's Code of Ethics establishes a provision that the Bank is a politically neutral organization whose employees must respect freedom of other individuals and differences of opinions. Employees have a right to express their political beliefs if such discussion does not undermine the political neutrality of the Bank. The same is true in relation to religion or propaganda.

The Bank ensures client data protection pursuant to all acts of law of the Republic of Lithuania and internal rules. No work related information, especially information on clients, may be disclosed either to employees whose job does not involve dealing with such information or to family members.

The Code of Ethics is introduced to all employees. Requirements and principles of the code are mandatory to all employees of the Bank who sign a commitment to adhere to the Bank's Code of Ethics. Director of Human Resource Department shall ensure the control of adherence.

Equal employment and promotion opportunities are ensured to men and women, individuals of all nationalities and religions irrespective of their age. In 2007 the Bank employed individuals of many different minorities in Lithuania, namely Russian, Polish, Byelorussian, Ukrainian, Jewish and Tajik. During the year the number of non-Lithuanian employees in the bank grew by 2 percent. In 2007 the bank's employees represented all age groups, including 7 employees of retirement age. (In 2006 there were 5 employees of retirement age).

Both men and women receive the same salaries for jobs of the same level. In 2007 Ūkio bankas employed 158 men and 475 women.

During 2007 no complaints on infringement of human rights were received and no malpractice was recorded in this area. In the future the Bank plans to work out a procedure for submitting and analysing complaints on potential violation of the Code of Ethics, Work Ethics or human rights. Such procedure would ensure effective consideration and resolution of employee complaints and confidentiality.

EMPLOYEE RIGHTS

Principle 3: Seek that businesses uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: Seek the elimination of all forms of forced and compulsory labour;

Principle 5: Seek abolition of child labour;

Principle 6: Seek the elimination of discrimination in respect of employment and occupation.

Ūkio bankas supports all these principles. Employees of the Bank have all technical and other opportunities to establish professional organizations and are entitled to use the intranet and other measures for this purpose. The Bank supports the freedom of organizing a trade union, however during 2007 employees did not initiate establishment of any organizations and did not conduct collective bargaining. The Bank will not hinder freedom of association and will support such initiatives by providing all technical measures and opportunities of arranging meetings with the management, should employees pursue these initiatives.

The Bank supports the principle of elimination of any form of forced and compulsory labour by establishing a 40-hour work week. Work hours and responsibility of department heads to draw work schedules are laid down in the Bank's Working Procedure. The Security Department also takes active part in ensuring the adherence to the working procedure which provides for limitations of time spent after office hours and on weekends and only for employees holding special permits. Time and attendance accounting and remuneration is ensured by Human Resource Department.

Employees of the Bank do not work overtime except for the cases when the work may not be discontinued. Such situations are encountered only by approximately 1 percent of employees. All overtime in cases when there was no possibility to discontinue the work was paid to employees who agreed to work overtime. No violations in this area were reported in 2007.

Ūkio bankas is categorically against any child labour. This provision governs irrespective of any local law. In 2007 the youngest employee in the bank was 19 years old. Human Resource Department verifies the person's age during recruitment and ensures that provision regarding child labour is not violated.

The bank advocates abolition of child labour not only by direct activities but also by promotion activities. In 2007 Ūkio bankas and the bank's subsidiaries for the second year in a row greeted their clients with UNICEF Christmas cards thus supporting their ideas.

During 2007 Ūkio bankas continued financially supporting children football club thus promoting involvement of children and youth in motivating activities. Other youth directed initiatives were implemented too. More information on Ūkio bankas support policy and projects implemented in 2007 is given in chapter "Ūkio bankas active investor into society and its progress" (see page 16).

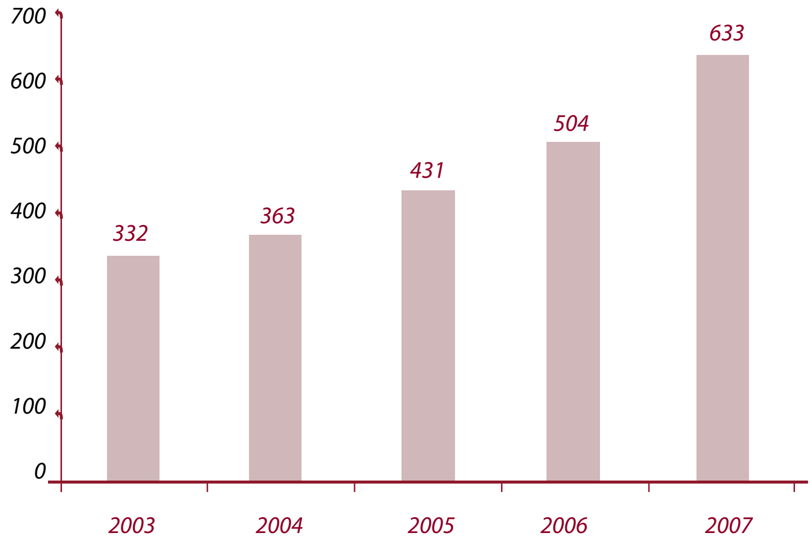
The Bank's internal rules regulating human resource policy in Ūkio bankas provide that employees should be remunerated directly and receive such a salary that would ensure adequate quality of life and conditions for continuous improvement. The average salary paid in the Bank is several times higher compared to the average salary in the country; therefore employees allocate funds for education and motivating leisure time of their children. All employees of the Bank even during probation period earn more than the official minimum salary in the country.

In the event of surgeries, serious illnesses, accidents at home or on the road the Bank employees receive benefits if they do not hold an accidence insurance policy. Besides, during 2007 Ūkio bankas Human Resource Department analysed the opportunities and prepared a draft of supplementary private employee health insurance. From 2008 the Bank plans to start insuring its employees under private health insurance which provide possibilities for the insuired to have regular health check-ups and receive medical care in health care institution of their choice, buy medicinal products and use other health services. All these services will be paid by the insurance company.

The Bank's policy clearly defines the procedure of personnel planning, search and selection. A provision is established in the Bank's Human Resource Guidelines that employees are selected in accordance with their education, competence, professional qualifications, awareness of the future job, responsibility for work performance, knowledge of professional conduct, recommendations and further training certificates. During the selection period priority is given to employees of the Bank if they meet the requirements for the vacant position. If no adequate employees are found inside the Bank, an external search is conducted. Job ads do not specify sex or age of the potential candidate, only qualification requirements.

In 2007 Ūkio bankas offered 57 new jobs. Among all employees 75 percent were women and 25 percent men.

Growth of Ūkio bankas employees number



More information on Ūkio bankas employees and conditions of work, professional development and rest as well as various statistical data are given in chapter "Ūkio bankas employees creating success" (see page 15).

ENVIRONMENT PROTECTION

Principle 7: Seek that businesses support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility;

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

The Bank supports all these environment-related principles although banking activities have no direct impact on environment and nature, except for everyday office operations, business travelling and the like.

The Bank's internal rules provide for employee obligation to protect environment, sustain natural resources, and not to violate environment quality norms and standards. The Bank aims to reduce the potential negative environmental impact within the range of everyday activities. Office equipment is purchased from reliable suppliers and manufacturers holding all quality certificates. Night-time heat-saving systems are installed in all premises used by the Bank and other energy-saving opportunities are considered. The Bank attempts to operate only 3-4 year old vehicles with relatively lower pollution compared to older vehicles. The vehicle fleet is regularly upgraded to adhere to pollution standards.

The bank supports environment protection by providing services that enable to reduce the need of natural resources. Internet banking is one of such services enable to reduce the number of business trips, paper consumption in many banking transactions. In 2007 the number of the Bank's internet system users reached 44 thousand showing the growth of 56 percent per year (from 28 thousand in 2006). Improvement of internet banking services and functionality of the system will remain among priority areas of Ūkio bankas activities. In 2008 Ūkio bankas plans to arrange campaigns to draw client's attention to environmental problems and will offer even better terms for internet banking users.

With the aim to protect nature and save our forests in 2007 Ūkio bankas decided not to print the annual report and present it only in electronic format.

Ūkio bankas also reduces consumption of paper by using the intranet for employee communication inside the bank. All documents, procedures and information for employees are placed there. Employees receive all relevant information via the intranet and thus the amount of hard-copy documents is significantly reduced. Intranet functionality will be developed in 2008 as well.

In 2007 Ūkio bankas undertook to provide financial and legal assistance for setting up and promoting in Lithuania the international nature protection fund of world known anthropologist professor Birutė Galdikas who is of Lithuanian origin. Ūkio bankas received authorizations from the professor to prepare all required documents for setting up the fund in 2008. One of the main goals pursued by this charity and support fund will be sponsoring of scientific research in environmental field and providing Lithuanian students with an opportunity to do study work in Indonesia. There Lithuanian students will be able to improve their theoretical and practical knowledge in anthropology. Ūkio bankas plans to take active part in the fund's activities.

ANTICORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The Bank supports the principle of working against corruption in all forms and discommends extortion and bribery. The Bank operates adhering to all acts of law of the Republic of Lithuania, international practice and regulations in the area of finance.

The key principles of asset acquisition are laid down in the Bank's Procurement Policy, namely professionalism, transparency, objectivity, free competition, code of business practice. All procurement shall be conducted after objective evaluation of the needs, terms and conditions and shall comply with the principles of free competition and ethical business. Strict corruption prevention principles are laid down in the bank's Code of Ethics. The Bank looks for partners among those undertakings who, to the best knowledge of the Bank, were never involved in illegal activities and have flawless reputation. Partners are selected after careful consideration of any possible conflict of interests.

According to the Bank's Code of Ethics all employees shall handle their personal financial affairs and perform transactions with their accounts or accounts belonging to associated parties using the same preventive measures which are applied for other clients.

Ūkio bankas being a financial institution regards money laundering prevention as one of the most important aspects of its operations. The Bank has Anti-Money Laundering and Terrorism Financing policy in place prepared pursuant to recommendations on money-laundering prevention for credit institutions issued by the Bank of Lithuania, acts of law of the Republic of Lithuania and European Union, United Nations directives and conventions and recommendations of international organizations. Every year the Bank of Lithuania and independent auditors inspect whether Ūkio bankas rules and procedures and their implementation are in line with the requirements of legislation regulating the prevention of money laundering and terrorism financing.

Reports on the implementation of anti-money laundering and terrorism financing measures are submitted to the Bank management on a regular basis. All employees of the Bank must acquaint by signing with Anti-Money Laundering and Terrorism Financing Policy. All service specialists working in the Bank attend mandatory regular training on the prevention of money laundering and terrorism financing. Every year the bank's AML staff take part in international conferences and placements arranged by certified anti money laundering specialists (ACAM members) or similar level organizations.

The Bank uses all measures for preventing money laundering and terrorism financing in daily activities. In addition to other strict attitudes, the Bank does not involve in money laundering transactions, adheres to all anti-money laundering and terrorism financing acts of law, keeps commercial secrets of clients and does not finance illegal business. The Bank accepts those clients whose assets and funds are well grounded and the legitimacy of their acquisition is non-dubious. The Bank does not open anonymous or flexible name accounts and does not cooperate with shell banks.

With the aim to strengthen anti-money laundering control, in 2007 Ūkio bankas invested more than LTL 1 million into anti-money laundering solutions developed and implemented by UAB Paspara, who since 1991 has been representing SAS, the global mega company of software solutions. This complex anti-money laundering and risky behaviour monitoring, identification and warning system allows managing vast amounts of Bank transactions and automatically identifies, classifies and alerts the Bank staff about the suspicious behaviour that should be scrutinised. The system enables to make deeper and more comprehensive analysis of the Bank's client data and strengthen risk management. The Bank's AML staff received training where they were introduced to the new system and its benefits and learned how to operate the system.

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