



AB SEB VILNIAUS BANKAS

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEB VILNIAUS BANKAS AB

1. We have audited the accompanying balance sheet of SEB Vilniaus Bankas AB ("the Bank") and its consolidated subsidiaries (together "the Group") as at 31 December 2005 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. The financial statements set out on pages 5 - 53 and the performance report set out on pages 3 - 4 are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit and to assess whether the information disclosed in the performance report is consistent with the financial statements.

2. We conducted our audit in accordance with International Standards on Auditing as issued by the International Federation of Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our work with respect to the performance report was limited to checking it within the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Bank. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the financial statements give a true and fair view of the financial position of the Bank and the Group as at 31 December 2005 and of the results of their operations and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted for use in the European Union.

4. We did not identify material inconsistencies in the performance report with the audited financial statements.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Asta Liepienė
Auditor's Certificate No.000438

Vilnius, Republic of Lithuania
15 February 2006

[This is an electronic copy of the performance report and financial statements and auditor's report thereon. PricewaterhouseCoopers' responsibility extends only to the original signed auditor's report on the performance report and financial statements attached to the original signed performance report and financial statements.]

PERFORMANCE REPORT OF SEB VILNIAUS BANKAS GROUP FOR 2005

In 2005, SEB Vilniaus Bankas Group net profit, according to the International Financial Reporting Standards, amounted to LTL 149.1 million, exceeding the previous year result by LTL 31.8 million, or 27.1 percent. Result before income tax was LTL 181.0 million, increasing by LTL 47.8 million, or 35.9%. In 2005, net interest income increased by LTL 65.4 million, or 26.2 percent to reach LTL 315.0 million. Net services and commissions grew by LTL 14.2 million, or 15.6 percent and totalled LTL 105.6 million. Net foreign exchange and operations with securities and financial instruments gain amounted to LTL 72.5 million, LTL 23.6 million or 48.1 percent increase as compared to 2004.

As of 31 December 2005, the total assets of the SEB Vilniaus Bankas Group topped LTL 15.1 billion increasing by nearly LTL 4.6 billion, or 43.6 percent. During 2005, net loans to customers grew by almost LTL 3 billion, or 51.1 percent, to LTL 8.8 billion. Customer deposits stood at LTL 8.4 billion, a LTL 2 billion or 31.6 percent increase. At the end of December 2005, SEB Vilniaus Bankas had 34 percent market share in granted loans and 31 percent in customer deposits. SEB Vilniaus Bankas Group shareholders' equity increased by 18.2 percent to nearly LTL 1.3 billion.

2005 was successful for SEB Vilniaus Bankas retail banking. The number of individual customers increased by 10.1 percent and reached 874 thousand. As of 31 December 2005, the private deposits market share was 29.3 percent, while corporate deposits market share made up 33.9 percent. Private and corporate loan market shares stood at 26.5 percent and 37.6 percent respectively. At year end impairment losses on loans stood at LTL 108.2 million.

In 2005, SEB Vilniaus Bankas Group' mortgage loan portfolio almost doubled and exceeded LTL 2 billion. During the year, the consumer loans rose by as much as 137 percent from LTL 92.9 million to LTL 220.4 million.

The number of corporate customers amounted to 54 thousand. The loan portfolio of the largest corporate customers serviced by the Bank's Client Relationship Management Department increased by 66.3 percent to LTL 3.6 billion.

The Bank once again succeeded in sustaining growth of its services. The number of payment cards increased by 15.3 percent to exceed one million. The total cardholder payments increased by 29.4 percent and settlements by card turnover reached LTL 7.6 billion. In December 2005, SEB Vilniaus Bankas market share in the payment cards stood at 33.4 percent.

In April 2005 the Bank launched new modern and user friendly internet banking system, which contributed to the number of e-clients increase by 38.8 percent, from 377 thousand to 524 thousand. The number of customers using Bank services by phone increased by 40.0 percent from 368 thousand to 515 thousand during the adequate period.

SEB Vilniaus Bankas Group interest income on debt securities amounted to LTL 51.9 million, 19.1 percent increase as compared to 2004. In 2005, SEB Vilniaus Bankas Group was the most active trader in Lithuanian bond market with 20.5 percent market share. The Bank's securities custody unit was the largest custodian in Lithuania in terms of the total market value of securities in its custody. During 2005, the market value of the securities in SEB Vilniaus Bankas Group' custody increased to LTL 14.4 billion, and as of 31 December 2005, its market share stood at 39.1 percent.

In 2005, SEB Vilniaus Bankas successfully completed twenty five debt securities issues. Total debt securities in issue stood at LTL 440.3 million as of 31 December 2005, a 64.1 percent increase from 31 December 2004.

As of 31 December 2005, SEB Vilniaus Bankas network included 17 branches and 46 outlets. In 2005, the number of Group employees increased from 1,464 to 2,241 mainly due to the acquisition of Bank Agio in Ukraine.

During the year SEB Vilniaus Bankas Group significantly improved its operating efficiency and cost control, cost income ratio of the Group decreasing from 57.9 to 51.9 percent comparing to 2004. At the same time the Group continued significant investments into retail banking and branch network. Staff costs of the Group increased by 14.6 percent up to LTL 125.0 million. However, other administrative expenses excluding deposit insurance expenses decreased by 10.6 percent to LTL 135.9 million.

In 2005, SEB Vilniaus Bankas Group was in compliance with all prudential regulatory requirements of the Bank of Lithuania. In 2005, SEB Vilniaus Bankas did not repurchase or transfer to other owners its own shares.

In January 2005, SEB Vilniaus Bankas purchased 95.02 percent of the Ukrainian Bank Agio shares. As of 31 December 2005, the Bank had 98.81 percent of Bank Agio shares. Bank Agio is engaged in full scale banking

operations in Ukraine. All subsidiaries are fully owned by the Bank. As of December 31, 2005, the Bank held 28,501 ordinary registered shares of SEB VB Lizingas (total authorised capital LTL 28.5 million), 25,703 shares of SEB VB Nekilnojamosis Turtas (LTL 25.7 million), 250,000 shares of SEB VB Rizikos Kapitalo Valdymas (LTL 25 million), 20,000 shares of SEB VB Būsto Bankas (LTL 20 million), 711,400 shares of SEB Vilfima (LTL 7.1 million), 603,355 shares of SEB VB Gyvybės Draudimas (LTL 6 million), and 157,500 shares of SEB VB Investicijų Valdymas (LTL 1.6 million).

Net financial lease receivables rose by as much as 40.6 percent, or LTL 557 million to LTL 1,929 million. At the end of 2005, SEB VB Lizingas maintained its leadership with 37.1 percent market share. In 2005, the subsidiary signed new agreements for total financing amount of LTL 1.3 billion, 44 percent more than in 2004. Over the previous year, the leasing subsidiary enjoyed a considerable growth in all areas, but once again new car and truck lease was the most successful.

In 2005, SEB VB Gyvybės Draudimas signed life insurance premiums worth LTL 55.6 million, i.e, a 32.1 percent increase as compared to 2004. The market share of the company went up from 17.4 percent to 18.4 percent.

During 2005, number of SEB VB Investicijų Valdymas' Pillar Three pension funds clients increased 2.6 times to 7.3 thousand. SEB VB Investicijų Valdymas total assets under management stood at LTL 496 million, the market share amounting to 37.3 percent. In the year 2005 SEB VB Investicijų Valdymas has launched three mutual funds: CIS Equity Fund, CIS Bond Fund and Fund of Funds - Global. Moreover SEB VB Investicijų Valdymas has offered three SEB mutual funds for public distribution in Lithuania (additionally) - SEB Eastern Europe Fund, SEB Emerging Market Fund and SEB Japan Fund.

SEB Vilniaus Bankas performance once again received recognition from the international banking publications and rating agencies. During 2005 the Bank was named as the best bank in Lithuania by Global Finance magazine, Euromoney, and others. International rating agency Fitch Ratings confirmed ratings of SEB Vilniaus Bankas including A investment grade Long-term rating.

Last year Lithuania's economy grew faster than expected by many local and foreign analysts. Despite global oil price shock, deepening shortage of appropriate labor force and other serious challenges, the preliminary estimate for the country's GDP growth stands at 7.3 percent. The average inflation rate reached 2.7 percent but continued being low relative to other EU newcomers. Although this year Lithuania's economy is forecasted to make it is way at a slower pace, growth deceleration should not be significant. SEB Vilniaus bankas strongly supports Euro introduction in 2007. SEB Vilniaus bankas is already now actively preparing for Euro introduction and double currency circulation period, including IT systems adjustments and reorganizations needed in other areas.

SEB Vilniaus Bankas' leadership in the Lithuanian banking market continues to be a solid basis for the Bank's dynamic development both in the local market and in developing the activities of Bank Agio. Having significantly contributed to the result of the SEB Group, the Bank concluded the year 2005 under a new name - SEB Vilniaus Bankas - strengthening its international status in the competitive local market, ready to implement its new challenging plans. As a next year focus the Bank sees further improvement of efficiency and income diversification, aiming at creating financial comfort for its customers and at being a pro-active participant in this country's economic development, contributing towards its social progress.

Audrius Žiugžda
President and Chairman of the Board of SEB Vilniaus Bankas

Income Statement
for the year ended 31 December 2005
(LTL 000s)

The Group			The Bank	
2005	(restated) 2004	Note	2005	(restated) 2004
494,960	361,352		408,201	325,503
(179,915)	(111,756)		(146,065)	(91,781)
<u>315,045</u>	<u>249,596</u>	5	<u>262,136</u>	<u>233,722</u>
(46,620)	(1,705)	6	(47,169)	693
1,257	(1,523)		-	-
464	(330)		464	(330)
131	(214)		50	(214)
<u>(44,768)</u>	<u>(3,772)</u>		<u>(46,655)</u>	<u>149</u>
<u>270,277</u>	<u>245,824</u>		<u>215,481</u>	<u>233,871</u>
128,926	116,943	7	104,943	94,078
9,569	4,791		817	2,634
37,656	(19,254)	8	35,284	(22,567)
25,252	63,386	9	19,655	64,117
<u>201,403</u>	<u>165,866</u>		<u>160,699</u>	<u>138,262</u>
53,247	40,738	10	-	-
(52,405)	(35,028)	11	-	-
842	5,710		-	-
(30,671)	(23,187)		(30,356)	(23,181)
(124,962)	(109,059)	12	(100,250)	(95,206)
(135,927)	(152,028)	13	(112,133)	(126,816)
<u>(291,560)</u>	<u>(284,274)</u>		<u>(242,739)</u>	<u>(245,203)</u>
<u>180,962</u>	<u>133,126</u>		<u>133,441</u>	<u>126,930</u>
(31,905)	(15,829)	14	(26,667)	(14,562)
<u>149,057</u>	<u>117,297</u>		<u>106,774</u>	<u>112,368</u>
149,043	117,297		106,774	112,368
14	-		-	-
<u>149,057</u>	<u>117,297</u>		<u>106,774</u>	<u>112,368</u>
9.65	7.60	15	6.91	7.28
9.65	7.60	15	6.91	7.28

The accompanying notes on pages 11 to 53 are an integral part of these financial statements.

Balance Sheet as of 31 December 2005
(LTL 000s)

The Group			The Bank	
2005	(restated) 2004	Note	2005	(restated) 2004
Assets				
251,370	216,907		244,505	216,907
968,108	451,430	16	931,722	451,430
337,083	707,670		350,309	707,663
1,137,304	1,108,193	17	1,080,213	1,058,163
315,290	110,214	18	234,624	77,460
28,391	9,386	19	28,391	9,397
68,844	17,224	20,22	796,736	757,819
8,815,378	5,833,953	6,21,22	8,470,008	5,668,510
1,928,769	1,372,256	23	-	-
536,990	38,454	24	546,178	26,475
15,424	13,433	24	15,424	13,433
-	-	25	203,199	127,709
211,209	179,667	26	181,822	180,491
259,799	206,169	27	93,673	99,778
21,512	81,622	28	-	-
51,633	58,411	29	20,425	22,516
2,767	2,524	14	-	883
160,842	116,816	30	114,863	86,378
15,110,713	10,524,329	Total assets	13,312,092	9,505,012
Liabilities				
245	68		37	68
4,592,884	2,539,028	31	3,295,138	1,739,257
15,510	16,931	19	15,510	16,932
8,398,408	6,383,518	32	8,205,390	6,383,976
125,561	75,720	33	-	-
25,888	24,053		21,979	16,283
24,977	17,654		20,058	15,577
51,802	60,619	34	51,802	60,619
440,338	268,300	35	450,908	181,007
12,066	-	14	1,941	-
165,842	75,842	36	64,717	42,938
13,853,521	9,461,733	Total liabilities	12,127,480	8,456,657
Equity				
Equity attributable to equity holder of the parent				
154,414	154,414	37	154,414	154,414
189,040	189,040		189,040	189,040
693,154	594,481		693,321	594,481
22,732	(6,512)		22,971	(6,512)
15,555	-		-	-
7,971	-		6,026	-
5,554	5,554		5,554	5,554
168,018	125,619		113,286	111,378
1,256,438	1,062,596		1,184,612	1,048,355
754	-		-	-
1,257,192	1,062,596	Total equity	1,184,612	1,048,355
15,110,713	10,524,329	Total liabilities and equity	13,312,092	9,505,012
12.70%	11.70%	Return on Average Equity attributable to equity holders of the parent	9.4%	11.2%
1.20%	1.25%	Return on Average Total Assets	0.96%	1.31%

Vilnius, 13 February 2006

The accompanying notes on pages 11 to 53 are an integral part of these financial statements.

A. Žiugžda
Chairman of the Board

A. Matusėvičienė
Chief Financial Officer

Statement of Changes in Equity of the Group
for the year ended 31 December 2005
(LTL 000s)

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Translation reserve	Legal reserve	General and other reserves	Re-tained earnings	Minority interest	Total
31 December 2003 as previously reported	154,414	189,040	462,205	-	-	-	5,554	132,277	-	943,490
Changes in accounting policy:										
Available-for-sale restatement	-	-		(8,321)	-	-	-	8,321	-	-
31 December 2003 restated	154,414	189,040	462,205	(8,321)	-	-	5,554	140,598	-	943,490
Transfers to reserves	-	-	132,276	-	-	-	-	(132,276)	-	-
Net credit to financial assets revaluation reserve for the period, net of deferred tax	-	-	-	1,809	-	-	-	-	-	1,809
Net income for the year 2004	-	-	-	-	-	-	-	117,297	-	117,297
31 December 2004	154,414	189,040	594,481	(6,512)	-	-	5,554	125,619	-	1,062,596
Transfers to reserves	-	-	98,673	-	-	7,971	-	(106,644)	-	-
Net credit to financial assets revaluation reserve for the period, net of deferred tax	-	-	-	29,244	-	-	-	-	-	29,244
Acquisition of Agio bank	-	-	-	-	-	-	-	-	754	754
Net income for the period	-	-	-	-	-	-	-	149,043	-	149,043
Net credit to translation reserve for the period	-	-	-	-	15,555	-	-	-	-	15,555
31 December 2005	154,414	189,040	693,154	22,732	15,555	7,971	5,554	168,018	754	1,257,192

The accompanying notes on pages 11 to 53 are an integral part of these financial statements.

Statement of Changes in Equity of the Bank
for the year ended 31 December 2005
(LTL 000s)

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Legal reserve	General and other reserves	Retained earnings	Total
31 December 2003 as previously reported	154,414	189,040	462,205	-	-	5,554	132,276	943,489
Changes in accounting policy:								
Available-for-sale restatement	-	-	-	(8,321)	-	-	8,321	-
Subsidiaries result restatement	-	-	-	-	-	-	(9,312)	(9,312)
31 December 2003 restated	154,414	189,040	462,205	(8,321)	-	5,554	131,285	934,177
Transfers to reserves	-	-	132,276	-	-	-	(132,276)	-
Net credit to financial assets revaluation reserve for the period, net of deferred tax	-	-	-	1,809	-	-	-	1,809
Net income for the year 2004	-	-	-	-	-	-	112,368	112,368
31 December 2004	154,414	189,040	594,481	(6,512)	-	5,554	111,377	1,048,354
Transfers to reserves	-	-	98,840	-	6,026	-	(104,865)	1
Net credit to financial assets revaluation reserve for the period, net of deferred tax	-	-	-	29,483	-	-	-	29,483
Net income for the year 2005	-	-	-	-	-	-	106,774	106,774
31 December 2005	154,414	189,040	693,321	22,971	6,026	5,554	113,286	1,184,612

Also see Note 37.

The accompanying notes on pages 11 to 53 are an integral part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2005
(LTL 000s)

<u>The Group</u>			<u>The Bank</u>	
2005	2004		2005	2004
		Cash from operating activities		
478,955	357,547	Interest income received	403,503	326,129
(163,852)	(101,784)	Interest expenses paid	(134,807)	(85,083)
25,252	63,386	Net foreign exchange gain	19,655	64,117
		Net gain (loss) in securities trading and financial instruments	35,284	(20,758)
37,656	(17,445)	Net commission and service income	104,943	93,003
140,920	116,943	Life insurance operations	-	-
50,683	39,144	Staff costs	(100,250)	(95,206)
(124,962)	(109,059)	Other payments	(116,077)	(89,716)
(120,246)	(110,800)			
		Net cash from operating activities before change in operating assets	212,251	192,486
<u>324,406</u>	<u>237,932</u>			
		Changes in operating assets		
		Increase in compulsory balances with the Central Banks	(157,231)	(85,026)
(169,546)	(85,026)	Decrease (increase) in due from banks and loans to credit and financial institutions	197,909	(269,213)
218,976	(168,947)	Increase in loans to customers	(2,843,969)	(1,069,470)
(2,940,819)	(1,106,654)	(Increase) decrease in other current assets	(27,552)	(5,953)
(38,483)	1,122			
<u>(2,929,872)</u>	<u>(1,359,505)</u>	Net increase in operating assets	(2,830,843)	(1,429,662)
		Changes in operating liabilities		
1,922,589	1,493,447	Increase in deposits from the public	1,816,385	1,492,704
88,271	(9,515)	Increase (decrease) in accrued expenses, deferred income and other liabilities	19,945	(11,018)
<u>2,010,860</u>	<u>1,483,932</u>	Net increase in operating liabilities	1,836,330	1,481,686
		Net cash (to) from operating activities before income tax	(782,262)	244,510
(594,606)	362,359			
(20,279)	(1,923)	Income tax paid	(18,480)	(572)
		Net cash (to) from operating activities after income tax	(800,742)	243,938
<u>(614,885)</u>	<u>360,436</u>			

The accompanying notes on pages 11 to 53 are an integral part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2005 (continued)
(LTL 000s)

The Group			The Bank	
2005	2004	Note	2005	2004
Cash flow from (to) investing activities				
(44,148)	(6,867)		(20,821)	(13,628)
133	(28,522)		7,433	(18,340)
(42,035)	-	25	(75,490)	-
(717,690)	(21,276)		(699,274)	(11,093)
6,778	(8,783)		2,091	(10,236)
(500,713)	(497,859)		-	-
<u>(1,297,675)</u>	<u>(563,307)</u>		<u>(786,061)</u>	<u>(53,297)</u>
Cash flow from (to) financing activities				
177	1		(31)	1
2,015,504	60,111		1,555,881	(258,142)
(8,817)	(8,827)		(8,817)	(8,827)
172,039	256,271		269,901	181,008
<u>2,178,903</u>	<u>307,556</u>		<u>1,816,934</u>	<u>(85,960)</u>
266,343	104,685		230,131	104,681
<u>645,592</u>	<u>540,907</u>		<u>645,585</u>	<u>540,904</u>
<u>911,935</u>	<u>645,592</u>		<u>875,716</u>	<u>645,585</u>
Specified as follows:				
373,084	25,952	16	349,013	25,952
164,930	325,559		164,930	325,559
251,370	216,907		244,505	216,907
122,551	77,174		117,268	77,167
<u>911,935</u>	<u>645,592</u>		<u>875,716</u>	<u>645,585</u>

The accompanying notes on pages 11 to 53 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

NOTE 1 BACKGROUND INFORMATION

AB SEB Vilniaus Bankas (the Bank) was registered as a public company in the Enterprise Register of the Republic of Lithuania on 2 March 1990. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Banks of the Republic of Lithuania and the Statutes of the Bank.

The Head Office of the Bank is located at Gedimino pr. 12, Vilnius. At the end of the reporting period the Bank had 17 branches and 46 sub-branches.

At the end of the reporting period AB SEB Vilniaus Bankas had 8 subsidiaries, including Ukrainian bank *Agio*. The Bank and its subsidiaries thereafter are referred as the Group.

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities as well as performs other activities set in the Law on Banks (except for operations with precious metals).

International rating agency Fitch during 2004 granted and in 2005 reconfirmed to AB SEB Vilniaus Bankas the following ratings: Long-term rating A; Short-term rating F1 and Individual rating C.

The Bank's shares are included in the non-listed list of shares of the Lithuania National Stock Exchange. As it is further disclosed in Note 37, the largest shareholder is Skandinaviska Enskilda Banken, owning 98.99 percent of the Bank's shares.

These consolidated financial statements have been approved by the Board on 13 February 2006.

NOTE 2 BASIS OF PRESENTATION

These financial statements are presented in national currency of Lithuania, Litas (LTL).

The books and records of the Bank and other Group companies are maintained in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU).

The financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities held at fair value through profit and loss and all derivative contracts.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Adoption of new and amended international financial reporting standards

In 2005 the Group adopted the following IFRSs as adopted for use in EU, which are relevant to its operations:

- IAS 1 (revised 2003) Presentation of Financial Statements
- IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 (revised 2003) Events after the Balance Sheet Date
- IAS 16 (revised 2003) Property, Plant and Equipment
- IAS 17 (revised 2003) Leases
- IAS 21 (revised 2003) The Effects of Changes in Foreign Exchange Rates
- IAS 24 (revised 2003) Related Party Disclosures
- IAS 27 (revised 2003) Consolidated and Separate Financial Statements
- IAS 32 (revised 2003) Financial Instruments: Disclosure and Presentation
- IAS 33 (revised 2003) Earnings per Share
- IAS 39 (revised 2005) Financial Instruments: Recognition and Measurement

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) *Adoption of new and amended international financial reporting standards (continued)*

IFRS 3 (issued 2004) Business Combinations
IAS 36 (revised 2004) Impairment of Assets
IAS 38 (revised 2004) Intangible Assets
IFRS 4 (issued 2004) Insurance Contracts

The adoption of IAS 1, 8, 10, 16, 17, 21, 24, 32, 33 (all revised 2003) did not result in substantial changes to the Group's accounting policies. In summary:

- IAS 1 (revised 2003) has affected the presentation of minority interest in the income statement (separate allocation at the bottom of the income statement) and in the statement of changes in equity (separate column for minority interests) and other disclosures.
- IAS 8, 10, 16, 17, 27, 32, 33 (all revised 2003) and IFRS4 (issued in 2004) had no material effect on the Group's policies.
- IAS 39 (revised 2005) the Group has changed its accounting policy towards available-for-sale financial assets fair value change (as described in accounting policy 'financial assets' heading).
- IAS 21 (revised 2003) had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.
- IAS 24 (revised 2003) has affected the identification of related parties and some other related-party disclosures.

The revised IAS 27 (revised 2004) the Group has changed its accounting policy towards subsidiaries' accounting in Bank's separate financial statements (as described in accounting policy 'consolidated subsidiaries' heading). The adoption of IAS 27 amendment resulted in restatement of comparative information: decrease in result for the year 2004 by LTL 6,334 thousand, and therefore decrease in basic and diluted earnings per share by LTL 0.41.

The revised IAS 39 (revised 2004) the Group has changed its accounting policy towards available-for-sale financial assets fair value change (as described in accounting policy 'financial assets' heading). The adoption of IAS 39 amendment resulted in restatement of comparative information: decrease in result for the year 2004 by LTL 1,809 thousand, and therefore decrease in basic and diluted earnings per share by LTL 0.12.

The adoption of IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) resulted in a change in the accounting policy for goodwill. In all years ended on or prior to 31 December 2004, goodwill was:

- amortised on a straight line basis over a period ranging from five to 20 years; and
- assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of IFRS 3:

- the Group ceased amortisation of goodwill from 1 January 2005;
- accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and
- from the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

The adoption of IFRS 3 resulted in decrease in operation expenses LTL 11,244 thousand, increase in basic and diluted earnings per share LTL 0.7.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- IAS 21 (revised 2003): prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- IFRS 3 (issued 2004): applied prospectively after 1 January 2005;
- IAS 39 (revised 2004): the de-recognition of financial assets is applied prospectively.

b) *New Accounting Pronouncements*

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods and which the entity has not early adopted:

IAS 39 (amendment) – The Fair Value Option. IAS 39 (as revised in 2003) permitted entities to designate irrevocably on initial recognition practically any financial asset instrument as one to be measured at fair value with gains and losses recognised in profit or loss ('fair value through profit or loss'). The amendment changes the definition of financial instruments 'at fair value through profit or loss' and restricts the ability to designate financial instruments as part of this category. The Group's policy is not to voluntarily designate assets as at fair value through profit or loss, except for financial assets held by the insurance subsidiary. The Group believes that these instruments meet the definition of 'at fair value through profit or loss' category.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New Accounting Pronouncements (continued)

IAS 39 (amendment) - Cash flow hedge accounting of forecast intragroup transactions. The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect consolidated profit or loss.

IAS 39 (amendment) - Financial guarantee contracts. Issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, will have to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred and (ii) the expenditure required to settle the commitment at the balance sheet date. Different requirements apply for the subsequent measurement of issued financial guarantees that prevent derecognition of financial assets or result in continuing involvement accounting.

IFRS 7 Financial Instruments: Disclosures and a complementary amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures. The IFRS introduces new disclosures to improve the information about financial instruments. Specifically, it requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk including sensitivity analysis to market risk. It replaces some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital. The Group is currently assessing what impact the new IFRS and the amendment to IAS 1 will have on disclosures in its financial statements.

IFRIC 4, determining whether an Arrangement contains a Lease. IFRIC 4 requires that determining whether an arrangement is, or contains, a lease be based on the substance of the arrangement. It requires an assessment of whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

Unless otherwise described above, these new standards and interpretations are not expected to significantly affect the Group's financial statements.

c) Basis of Accounting

The financial statements have been prepared in accordance with and comply with IFRS, adopted in the EU. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

d) Consolidated subsidiaries

Subsidiaries are all entities, over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Litas, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates;
- (iii) all resulting exchange differences are recognised as a separate component of equity.

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.

f) Income Recognition

Interest income and expense are recognised for all interest bearing instruments on an accrual basis using the effective interest yield method based on the actual purchase price.

Commission and other income is recognised at the time of the related transaction. Commissions incurred in respect of long-term funding provided by financial institutions are deferred and recognised as an adjustment to the effective yield on the loan. All fees that are an integral part of the effective interest rate are amortised using effective interest rate.

Asset management fees related to investment funds are recognised as commissions, i.e. at the time of the related transaction or rateably over the period the service is provided, dependently on fees' substance. The rateable principle is applied for custody services that are continuously provided over an extended period of time.

g) Taxation

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged directly to equity, is also charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Earnings per share

Basic earnings per ordinary share were computed by dividing net income by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share were computed by dividing net income by the weighted average number of ordinary shares outstanding during the year, including all financial instruments that may be classified as diluted potential ordinary shares (Note 15).

i) Cash and cash equivalents

Cash, overnight deposits, correspondent accounts with the Central Banks and correspondent accounts with other banks, due to their high liquidity are accounted for as cash and cash equivalents in the statements of cash flows.

j) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss represents two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

All regular way purchases and sales of financial assets are recognised at settlement date, which is the date that an asset is delivered to or by the Group. Otherwise such transactions are treated as derivatives until settlement occurs. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) *Derivative financial instruments*

Derivative financial instruments including foreign exchange contracts, currency swaps and other derivative financial instruments are initially recognised in the balance sheet at fair value net of transaction costs and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives held for trading are included in net gain on operations with debt securities and financial instruments. No derivatives are designated as hedging instruments.

l) *Impairment of financial assets*

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the income statement.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Impairment of financial assets (continued)

Assets carried at fair value: the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

m) Finance lease receivable

Fixed assets under finance lease are recorded as finance lease receivables at the amount that is equal to the present value of the minimum lease payments. The difference between the gross receivables and the present value of the receivable is recognised as unearned lease income.

The rights and obligations arising from finance leases are recognised at the date of transfer of the asset to the lessee. Until that day, the payment from the prospective lessee is considered as a prepayment. The lease receivable is the amount financed in respect of the leased property less the amount of the prepaid first instalment.

Interest income from leasing activities is recognised based on contractual lease terms commencing from the date of delivery of the leased assets and is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Revenues from administration fees are recognised during the contract period.

n) Operating lease – the Group as a lessor

Assets leased out under operating lease are depreciated over their expected useful lives using straight-line method on the basis consistent with similar owned tangible fixed assets.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

o) Operating lease – the Group as a lessee

To date, the leases entered by the Group are operating leases. The total payments made under operating leases are charged to the income statement on straight-line basis over the period of the lease.

p) Fixed Assets

In the balance sheet fixed assets are recorded at cost less accumulated depreciation and any accumulated impairment losses. If the estimated recoverable amount of a fixed asset is lower than its carrying amount, due to circumstances not considered to be temporary, the fixed asset is written down to its recoverable amount. Tangible fixed assets with a value less than the equivalent of LTL 900 and intangible fixed assets with a value less than the equivalent of LTL 5,000 are expensed.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining result before income tax. Repairs are charged to the income statement when the expenditure is incurred.

Depreciation and amortisation is calculated using the straight-line method of depreciation based on the estimated useful life of the asset. All amortisation and depreciation charges for the year are included in other administrative expenses. Useful lives of assets and their residual values are reviewed at each balance sheet date.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) *Fixed Assets (continued)*

The following amortisation and depreciation rates are applied in the Group for the respective asset category:

<u>Asset category</u>	<u>Depreciation period (years)</u>
Software	3-5
Other intangible fixed assets	3-5
Buildings	25-50
Vehicles	5
Computer hardware and cash counting equipment	3-5
Office equipment	5
Other fixed assets	5

q) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Due to IFRS changes, starting from 2005 the Bank and the Group stopped goodwill amortization, which amounted to LTL 11,244 thousand for one year. Goodwill amortization for 2004 is included into 'other administrative expenses' in income statement.

r) *Investment Property*

Investment property is held for long-term rental yields or capital appreciation and is not occupied by the Group. Investment property is treated as a long-term investments and carried at cost less any accumulated depreciation and any accumulated impairment losses. Investment property is depreciated on a straight-line basis over its useful life. Depreciation period of investment properties is 25-50 years.

s) *Borrowings*

Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

t) *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 as other liabilities. If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in net trading income.

u) *Employee benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Social security contributions are paid by the Group to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognized as an expense on an accrual basis and are included within staff costs.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) *Fair values*

According to management estimates, carrying amounts of financial assets and liabilities that in these financial statements are accounted for at amortised cost, do not significantly deviate from their fair values, as there are no significant loans and deposits amounts at off-market rates, except for index-linked deposit included in category 'investment held to maturity' which amortised cost and fair value (market value) difference amounted to LTL 3.9 million (fair value less than amortised cost) as at 31 December 2005, and investment property as disclosed in Note 29.

w) *Fiduciary activities*

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

x) *Insurance activities*

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines unit linked life insurance contract transfers significant insurance risk if sum insured (benefit payable on the occurrence of an insured event) is LTL 10 thousand and higher and the difference between sum insured and annual or single premium is positive or sum insured is equal to the sum of premiums paid up to this date.

Traditional life insurance contract, with same sum insured payable on the occurrence of an insured event and on maturity or just with benefit payable in case of insured event, always transfers significant insurance risk.

Premiums written and outward reinsurance premiums

Unit-linked premiums are recognized on cash basis. Other insurance premiums written consist of premiums, written during the year according to the payment schedule provided by the policy. Premiums earned comprise premiums attributable to the reporting period.

Outward reinsurance premiums represent reinsurance premiums attributable to the period in accordance with reinsurance contracts.

Claims paid and claims handling costs

Claims paid comprise claims actually paid during the period. Direct claims handling costs represent salaries paid to employees for claims handling and other directly related expenses.

Acquisition costs

Commissions to intermediaries are recognised as expenses over the period of the policies they relate to. For unit-linked insurance products 12 regulations commissions are recognised as expenses over one year. Acquisition costs, which relate to the periods subsequent to the accounting period, are included in deferred acquisition costs. No additional deferred acquisition cost asset is created for policies, for which Zillmer adjustment is used in calculating insurance reserves.

Technical insurance reserves

The *unearned premiums reserve* represents the part of premiums written which relates to the period of risk subsequent to the accounting period.

The *reserves for claims* represent amounts provided at the end of the accounting period in respect of estimated losses incurred but not yet paid including related claims handling costs. The reserve for claims incurred but unreported calculated by Chain – ladder method.

The *life insurance reserve* is the total value of the Group's net liabilities related to the life insurance contracts. Mortality coefficients, used for the insurance portfolio of UAB SEB VB Gyvybės Draudimas, are presented in the mortality table of Lithuania (according to the Lithuanian statistical data for 1989 and 1990). The Group uses guaranteed interest rate for calculation of reserve as follows:

- 3.5 % for insurance policies and pension policies contracted 2000-2002 year.
- Maximum technical interest rate established by Insurance Supervisory Commission is used for other policies.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) *Insurance activities (continued)*

Life insurance reserve is calculated using prospective net premium method for each policy individually. Under the prospective net premium method the value of liabilities is taken as the present value of the future benefit less the present value of future net premiums. For endowment and scholarship policies Zillmer adjustment used for creating deferred acquisition costs, which reduce life insurance reserve.

For unit-linked insurance products, *unit-linked insurance reserve* is established. This reserve represents the accumulated amount of total insurance premiums paid by the policyholder reduced by risk premiums and administration fees and adjusted by the loss/gain on the linked investments.

For investment life insurance 12 regulations actuarial funding is used to reduce the unit-linked insurance reserve by the amount of acquisition costs.

Technical *reserve for bonuses and rebates* is calculated according to the results of the Group's activity or the insurance class for the traditional life insurance contracts (endowment with additional benefits, except Hermio asmens draudimo contracts, and scholarship insurance).

Liability adequacy tests are performed at each balance sheet date.

y) *Return on average shareholders' equity and assets*

Return on average shareholders' equity is computed by dividing net income by average quarterly equity and assets.

z) *Comparative information*

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Due to IFRS changes, in 2005 the Bank started to account for investments into subsidiaries under cost method instead of equity method applied in 2004. Therefore, Net gain on equity investments, and accordingly Net result of the Bank for 2004 was reduced by LTL 6,334 thousand. Opening equity of the Bank for 2004 was reduced by LTL 9,311 thousand in order to reverse subsidiaries results accrued since inception, as well as investments in subsidiaries of the Bank for 2004 being reduced by the total amount of LTL 15,645 thousand.

Until 2005, as allowed by IAS 39 (Financial Instruments: Recognition and Measurement), the Group recognised gains and losses arising from changes in the fair value of available-for-sale financial assets through profit and loss. The financial statements were restated to reflect that change.

The Group decided to account for income from assets leased under operating lease in other income caption and for these assets depreciation under other operating expense caption instead of netting these amounts in interest income caption. Accordingly, LTL 1,852 thousand net result was reclassified in Income statement for 2004, increasing other income by LTL 20,598 thousand and other administrative expenses by LTL 18,746 thousand.

The Bank and the Group decided to account for accrued interest on financial instruments, accounted for at amortized cost, as a part of instrument value. Accordingly, accrued interest amounting to LTL 6,040 thousand for the Bank and LTL 9,217 thousand for the Group was reclassified from other assets to respective financial assets, as well as accrued interest amounting to LTL 30,496 thousand for the Bank and LTL 35,592 thousand for the Group was reclassified from accrued expenses and deferred income to respective financial liabilities for 2004.

The Bank and the Group decided to account for commissions received for loans and leasing contract administration as interest income. Accordingly, income amounting to LTL 8,404 thousand for the Bank and LTL 9,479 thousand for the Group was reclassified from 'net service charges' to interest income for 2004.

In 2005 the Bank and the Group decided to separate financial assets designated at fair value through profit or loss as a separate line on the face of balance sheet. Accordingly, for 2004 LTL 77,460 thousand government securities trading portfolio held by the Bank was reclassified to this caption, as well as LTL 32,754 thousand investment securities held by insurance subsidiary were reclassified to the same caption.

In the beginning of 2005 the Group noted inaccurate classification of assets under lease and reclassified LTL 54,544 thousand from assets under operating lease to finance lease receivable, net caption.

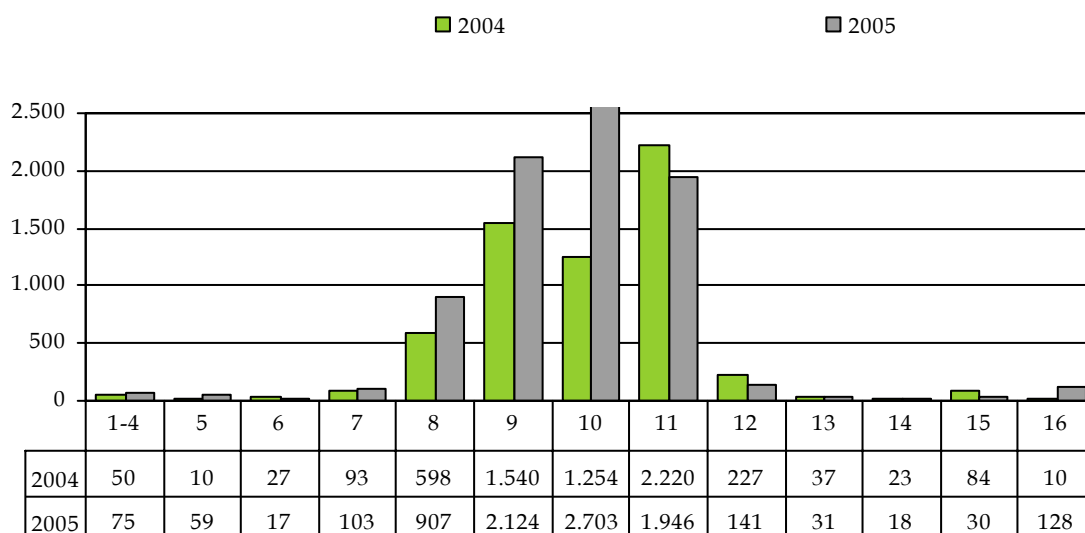
NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Financial risk management policy

Credit risk. The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The risk is measured in credit equivalents calculated taking into account the type of financial transaction. The Group's credit policy is based on the principal that any lending transaction must be based on credit analysis. Various credit security instruments are applied depending on the complexity of a transaction and trustworthiness of a customer.

The Group's credits are assessed on an individual and portfolio basis. The portfolio based assessment is applied to the following homogeneous credit groups having the similar risk characteristics: mortgage loans, consumer loans, credit limits on payment card accounts, car leasing. The specific provisions for the homogeneous credit groups are formed by applying statistical methods based on historical data about the defaults of the borrowers and the suffered losses within the corresponding homogeneous credit group. The individually assessed borrowers are assigned to a relevant risk class reflecting the probability of default. The Group classifies the individually appraised borrowers into 16 risk classes.

The information on distribution of individually appraised loans and leasing portfolio (in LTL million) by risk class is as follows:



The counterparty risk is managed through regular analysis of the ability of borrowers to meet interest and principal amount repayment obligations. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. The credit risk of the borrowers is reviewed on regular basis at least once per year depending on the risk class assigned to the borrower. The credit risk exposure to a single borrower or borrowers' groups and the industries are monitored on a regular basis.

The information on loans by industries is presented in Note 22.

Capital adequacy. The Lithuanian banks are required to maintain a capital adequacy ratio of at least 8.0 percent of risk weighted assets to capital base. The Group's capital policy is to maintain the level of the capital adequacy ratio level slightly above the minimum required in a range of 8.5-9.0 percent being able to efficiently support the implementation of the business goals. The shareholders return requirements shall be balanced against the capital requirements of the regulators and the rating agencies. The Bank and the Group has finished the year 2005 with the capital adequacy ratio 8.16 percent and 8.28 percent respectively. On 12 January 2006 the Bank of Lithuania has approved the additional subordinated debt capital amounted to EUR 25 million. It has increased the capital adequacy ratio of the Bank/the Group by 0.8 percentage points.

The dynamics of the capital adequacy ratio during 2005 is presented in Note 40.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Financial risk management policy (continued)

Currency risk. Foreign exchange risk exposure is evaluated using Value-at-Risk (VaR) concept based on statistical methods that express the maximum potential loss that can arise at a chosen level of probability during a certain period of time. The Group has implemented the variance/covariance method allowing to measure daily VaR of FX positions. For daily VaR calculations the Group has chosen a 99 percent probability level and one-day time horizon. Historical data are based on 90 days for volatility and correlation. In addition to daily VaR, stress test is used to cover extreme events, which are not taken into account by VaR calculations.

The net positions of assets and liabilities denominated in foreign currencies as of 31 December 2005 are presented in Note 41.

Interest rate risk. Interest rate risk is managed by forecasting the market interest rates and managing the mismatches between assets and liabilities by re-pricing maturities. The Bank applies the interest rate risk management methods allowing to measure the Bank's sensitivity to interest rate changes by computing the impact to yearly net interest income (called Δ NII) and the net effect to the market value of shareholders equity (called delta 1%) in case of parallel shift by percentage point in the yield curve.

The interest rate gap report as of 31 December 2005 is presented in Note 42.

Liquidity risk. Liquidity risk is the risk that the Group may be unable to timely fulfil its payment obligations or to finance or realize its assets over the certain period at an acceptable price. The Group adheres to a conservative liquidity risk management policy that ensures adequate fulfilment of current financial obligations, the level of obligatory reserves with the Central Banks, liquidity ratio higher than that established by the Bank of Lithuania and payment capacity under unforeseen unfavourable circumstances. The liquidity risk management system is based on the analysis of actual and forecasted cash flows.

The maturity of the Bank's assets and liabilities is presented in Note 39 and shows the remaining period from the balance sheet date to the contractual maturity or actual maturity, if known earlier.

The maturity of the leasing portfolio is presented in Note 23 and shows the remaining period from the balance sheet date to the contractual maturity.

bb) Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

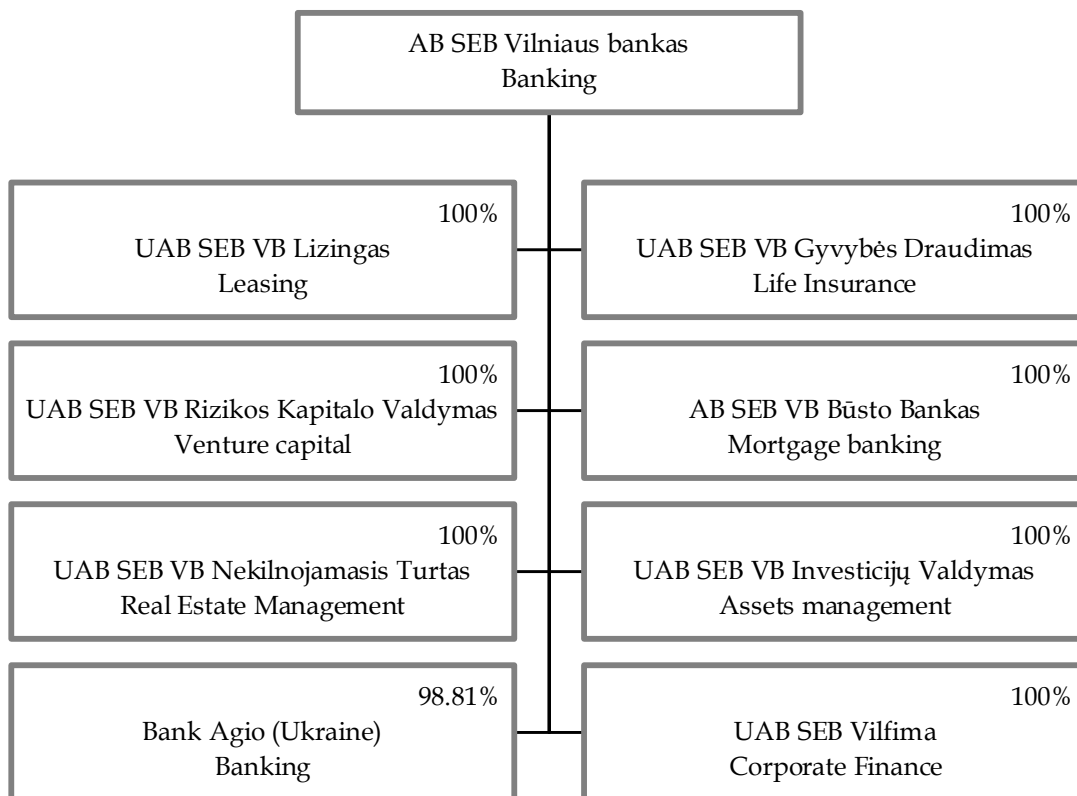
The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Government securities available-for-sale

The Group has changed its estimates towards government securities available-for-sale valuation basis during 2005 as explained in Note 17.

NOTE 4 GROUP'S STRUCTURE AND OPERATIONS

Organisational structure of AB SEB Vilniaus Bankas Group as of 31 December 2005 was as follows:



In February 2005 UAB SEB Vilfima established subsidiaries in Latvia and Estonia and as of 31 December 2005 hold 100 percent of shares in each subsidiary. The subsidiaries are engaged in corporate finance activities.

During 2005 Bank Agio established fully owned subsidiaries engaged in leasing and assets management activities.

NOTE 5 NET INTEREST INCOME (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
		Interest income:		
1,008	-	- on balances with Central Banks	1,008	-
27,871	10,825	- on loans and advances to credit institutions	49,576	38,334
334,742	247,592	- on loans and advances to customers	306,710	242,576
79,323	58,791	- on finance leasing portfolio	-	-
51,949	43,615	- on debt securities	50,840	44,064
67	529	- other interest and related income	67	529
		Interest expenses:		
(77,596)	(57,437)	- on amounts owed to credit and financial institutions	(52,740)	(39,672)
(94,347)	(49,853)	- on deposits from the public	(85,190)	(49,853)
(7,972)	(4,466)	- on debt securities	(8,135)	(2,256)
315,045	249,596	Total net interest income	262,136	233,722

Within interest income on debt securities amount for the year 2005 included LTL 45,838 thousand (LTL 41,227 thousand in 2004) interest income on debt securities included in available-for-sale portfolio.

NOTE 6 IMPAIRMENT LOSSES ON LOANS AND OTHER ASSETS (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
(64,584)	(19,967)	Impairment losses on loans to customers charge for the year, net	(64,865)	(17,837)
8,953	(268)	Release (additions) of impairment losses on loan portfolio	8,685	-
9,011	18,530	Recovered written off loans	9,011	18,530
(46,620)	(1,705)	Impairment losses on loans losses, net	(47,169)	693

Movements in impairment losses during year 2005 can be specified as follows:

The Group			The Bank	
2005	2004		2005	2004
50,918	35,170	Impairment losses on loans as of 1 January	48,242	34,887
4,212	-	Impairment losses on loans as of 1 January of bank <i>Agio</i>	-	-
55,560	20,045	Impairment losses charged to income statement, net	56,157	17,645
(3,002)	(5,191)	Loans written off	(2,623)	(5,191)
120	498	Reclassifications of impairment losses	120	498
436	396	Effect of change in exchange rate	448	403
108,244	50,918	Impairment losses on loans as of 31 December	102,344	48,242

The Group			The Bank	
2005	2004		2005	2004
-	8,411	Impairment losses on loan portfolio	-	8,143
107,946	40,327	Impairment losses on loans to customers	102,344	37,919
298	2,180	Impairment losses on balances with credit and financial institutions	-	2,180
108,244	50,918	Impairment losses on loans as of 31 December	102,344	48,242

Based on management decision, at the end of 2005, all Impairment losses on loan portfolio were transferred to Impairment losses on loans to customers.

The Bank had LTL105,498 thousand of gross individually impaired loans as of 31 December 2005 (LTL 88,494 thousand as of 31 December 2004). Accrued interest on these loans amounted to LTL 394 thousand as of 31 December 2005 (LTL 169 thousand as of 31 December 2004). Impaired loans referred to above are identified in accordance with the Bank's Credit Loss Instructions.

The Group and the Bank accounted for the following impairment losses for other assets:

The Group			The Bank	
2005	2004		2005	2004
5,914	6,425	Impairment losses on finance lease portfolio	-	-
428	1,397	Impairment losses on other doubtful assets	282	522
6,342	7,822	Impairment losses on other assets as of 31 December	282	522

NOTE 7 NET SERVICE CHARGES AND OTHER INCOME (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
154,594	124,914	Income on services and commissions	140,150	123,606
(48,973)	(33,521)	Expenses on services and commissions	(43,801)	(31,598)
23,305	25,550	Other income, net	8,594	2,070
128,926	116,943	Total net service charges and other income	104,943	94,078

NOTE 8 NET GAIN (LOSS) ON OPERATIONS WITH DEBT SECURITIES AND FINANCIAL INSTRUMENTS (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
		Net result from financial assets at fair value through profit or loss portfolio:		
3,544	616	Realised result from operations with debt securities	536	616
(1,321)	681	Unrealised result from operations with debt securities	(725)	(900)
745	2,659	Net result from available for sale portfolio transferred from financial assets revaluation reserve	795	921
34,688	(23,210)	Result of recognition of derivative financial instruments, net	34,678	(23,204)
37,656	(19,254)	Total gain (loss) on operations with debt securities and financial instruments	35,284	(22,567)

NOTE 9 NET FOREIGN EXCHANGE GAIN (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
42,484	31,144	Gain from foreign exchange trading	37,903	31,050
(17,232)	32,242	Unrealised translation gain (loss)	(18,248)	33,067
25,252	63,386	Total net foreign exchange gain	19,655	64,117

NOTE 10 NET INSURANCE PREMIUM REVENUE (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
55,591	42,083	Premiums written, gross	-	-
(1,736)	(1,132)	Premiums ceded to reinsurers	-	-
(918)	(222)	Change in provision for unearned premiums and unexpired risks, gross	-	-
310	9	Reinsurers' share of change in provision for unearned premiums	-	-
53,247	40,738	Total net insurance premium revenue	-	-

NOTE 11 GROSS INSURANCE EXPENSES (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
4,118	2,836	Claims incurred, net	-	-
48,287	32,192	Change in other technical provisions	-	-
52,405	35,028	Total gross insurance expenses	-	-

NOTE 12 STAFF COSTS (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
96,238	84,574	Salaries and wages	77,241	73,869
28,724	24,485	Social security expenses	23,009	21,337
124,962	109,059	Total staff costs	100,250	95,206

The following numbers of full-time personnel were employed by the Group's companies as of 31 December 2005:

AB SEB Vilniaus Bankas	1,566
UAB SEB VB Lizingas	95
UAB SEB VB Gyvybės Draudimas	84
UAB SEB VB Investicijų Valdymas	19
UAB SEB VB Nekilnojamas Turtas	10
UAB SEB Vilfima	12
AB SEB VB Būsto Bankas	1
UAB SEB VB Rizikos Kapitalo Valdymas	3
Bank Agio (Ukraine)	451
Total personnel	<u>2,241</u>

Several employees of the Bank are also employed by subsidiary companies. As of 31 December 2004 the Group employed 1,464 employees.

NOTE 13 OTHER ADMINISTRATIVE EXPENSES (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
36,156	44,979	Depreciation	21,137	23,318
19,546	17,419	Rent and maintenance of premises	27,098	26,323
12,051	6,757	Advertising and promotion expenses	8,629	5,144
11,742	11,667	Communication expenses	10,304	10,929
9,893	12,767	Office equipment maintenance	9,031	12,576
8,961	8,588	Other than income taxes	1,558	5,323
6,572	9,403	Payments for servicing organizations	6,258	9,242
5,430	2,651	Transport expenses	3,997	3,377
5,271	3,244	Employees training expenses	4,305	2,832
5,227	16,868	Amortisation	4,458	16,506
4,580	3,278	Audit and consulting expenses	4,054	3,020
1,885	558	Charity and sponsorship	1,631	554
1,127	2,283	Impairment of foreclosed assets	-	62
1,037	1,425	Insurance of banking operations	1,037	1,425
6,449	10,141	Other expenses	8,636	6,185
135,927	152,028	Total other administrative expenses	112,133	126,816

NOTE 14 INCOME TAX (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
20,974	18,134	Current year tax charge	14,219	15,577
8,656	(165)	Previous years related tax charge	9,050	(132)
2,275	(2,140)	Deferred tax credit	3,398	(883)
31,905	15,829	Total income tax charge	26,667	14,562

Previous years related tax charge for 2005 the Bank and for the Group includes LTL 10,000 thousand related to 2002 and 2003 as further described in note 47.

The tax on the Bank's and the Group profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

The Group			The Bank	
2005	2004		2005	2004
180,963	134,934	Profit before tax	133,441	135,073
27,144	20,240	Tax calculated at a tax rate of 15%	20,016	20,261
227	-	Tax effect relating to applying higher local tax rate than 15% (25% for Ukraine)	-	-
(16,689)	(14,494)	Income not subject for tax	(5,536)	(8,524)
3,256	3,712	Expenses not deductible for tax purposes	3,137	2,957
8,656	(165)	Correction of previous period income tax	9,050	(132)
8,962	-	Current year tax losses	-	-
349	582	Recognition / utilization of previously unrecognized tax losses	-	-
-	5,954	Movement in unrecognised deferred tax assets	-	-
31,905	15,829	Total income tax charge	26,667	14,562

Deferred tax

The Group			The Bank	
2005	2004		2005	2004
2,524	384	Asset at 1 January	-	-
243	2,140	Income statement charge	-	883
2,767	2,524	Asset at 31 December	-	883

The Group			The Bank	
2005	2004		2005	2004
-	-	Liability at 1 January	-	-
2,515	-	Income statement charge	2,515	-
10,125	-	Additions acquired through business combination	-	-
(574)	-	Recognized in shareholder's equity	(574)	-
12,066	-	Liability at 31 December	1,941	-

Deferred tax to be utilized in 2006 was calculated using 19 percent rate and 2007 - 18 percent, all remaining period - 15 percent. Deferred tax asset to be utilized after 2006 amounted to LTL 1,404 thousand and deferred tax liability - LTL 12,066 thousand.

NOTE 14 INCOME TAX (LTL 000s) (CONTINUED)

The Group			The Bank	
2005	2004		2005	2004
		Deferred tax asset		
160	1,188	Revaluation of securities	-	899
145	332	Amortisation and depreciation	-	(16)
(52)	347	Accrued income	-	-
93	76	Accrued expense	-	-
136	-	Allowances	-	-
824	-	Deferred income	-	-
1,461	581	Accumulated tax losses	-	-
2,767	2,524	Deferred tax asset, net	-	883

The Group			The Bank	
2005	2004		2005	2004
		Deferred tax liability		
10,125	-	Revaluation of property, plant and equipment	-	-
(574)	-	Revaluation of available for sale securities	(574)	-
(63)	-	Revaluation of trade securities	(63)	-
2,578	-	Amortisation and depreciation	2,578	-
12,066	-	Deferred tax liability, net	1,941	-

Deferred tax asset, related to accumulated tax loss of LTL 1,780 thousand can be carried forward until 2006, LTL 2,431 thousand can be carried forward until 2007, LTL 866 thousand can be carried forward until 2008, LTL 1,295 thousand can be carried forward until 2009, and LTL 2,255 thousand can be carried forward until 2010. The above deferred tax asset related to accumulated tax loss will be utilised by UAB SEB Vilfima until 2006, UAB SEB VB Investicijų Valdymas until 2007 and UAB SEB VB Gyvybės Draudimas in the period from 2006 to 2010 offsetting the amounts against taxable profits of the respective company. The amount of unused tax losses and temporary differences tax and their expiry time for the Group is as follows:

The Group			The Bank	
2005	2004		2005	2004
		Unused tax losses and temporary differences		
129	758	Temporary differences		
-	644	Tax loss, expiry in 2005	-	-
-	21	Tax loss, expiry in 2006	-	-
19,728	20,224	Tax loss, expiry in 2007	-	-
32,600	33,465	Tax loss, expiry in 2008	-	-
38,419	39,714	Tax loss, expiry in 2009	-	-
58,021	-	Tax loss, expiry in 2010	-	-
148,897	94,826	Total unused tax losses and temporary differences	-	-

All unused tax losses and temporary differences are related to insurance activities.

NOTE 15 EARNINGS PER SHARE

The Group			The Bank	
2005	2004		2005	2004
149,043	117,297	Net profit attributable to the shareholders (LTL 000s)	106,774	112,368
15,441	15,441	Weighted average number of shares (000s)	15,441	15,441
9.65	7.60	Basic earnings per share (LTL)	6.91	7.28

The Group has no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share.

NOTE 16 BALANCES WITH THE CENTRAL BANKS (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
595,024	425,478	Obligatory reserves	582,709	425,478
373,084	25,952	Balance available for withdrawal	349,013	25,952
968,108	451,430	Total balances with the Central Banks	931,722	451,430

One third of obligatory reserves and the balance available for withdrawal are non-interest bearing according to Central Bank of Lithuania regulations. Obligatory reserves comprise 6 percent (6 percent in 2004) of average balance of deposits from public of previous month.

Agio Bank obligatory reserves with the Central Bank of Ukraine at the end of 2005 amounted to LTL 12,315 thousand, and the balance available for withdrawal - LTL 24,071 thousand. Both obligatory reserves and the balance available for withdrawal are non-interest bearing according to national banking regulations of Ukraine. Obligatory reserves comprise 6 percent (6 percent in 2004) of average balance of deposits from public of previous month.

NOTE 17 GOVERNMENT SECURITIES - AVAILABLE FOR SALE (LTL 000s)

Government securities are debt securities issued by the Government for the terms of six months, one year or longer.

During 2004 government securities available for sale were carried at amortised cost using the effective interest rate method. Management believed, that market prices were not the best estimates of fair value for the government securities available for sale, as small number of participants in the market and low volumes in turnover of the securities did not enable sufficient liquidity the securities to be valued at market prices.

However, in the beginning of 2005 the Bank concluded contracts with Skandinaviska Enskilda Banken enabling high volume REPO transactions with government securities at market prices. Accordingly, in 2005 the Group and the Bank changed their estimates, starting to value available for sale government securities at market prices. As a consequence, value of government securities available for sale were increased by LTL 31,475 thousand for the Bank and for the Group, accordingly increasing credit to financial assets revaluation reserve in equity.

NOTE 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
234,624	77,460	Financial assets held for trading	234,624	77,460
80,666	32,754	Financial assets designated at fair value through profit or loss (at initial recognition)	-	-
315,290	110,214	Total financial assets at fair value through profit and loss	234,624	77,460

NOTE 19 DERIVATIVE FINANCIAL INSTRUMENTS (LTL 000s)

The Bank utilises the following derivative instruments for both hedging and non-hedging purposes. However, since hedging practice does not meet the criteria of hedging as defined by IAS 39, these instruments are classified as held for trading.

31 December 2005	Contract amount		Fair values	
	Purchase	Sale	Assets	Liabilities
Foreign exchange derivatives				
Currency forwards	137,261	135,002	2,250	1,156
Currency swaps	1,031,703	1,031,725	3,309	3,616
Interest rate derivatives				
Forward deposit	638,768	-	177	170
Futures	34,701	34,701	-	193
Interest rate swaps	83,425	83,425	-	1,721
Equity derivatives				
Securities option	126,200	126,200	22,498	8,654
Derivative part of index linked deposit	-	-	157	-
Total derivatives assets/liabilities	2,052,058	1,411,053	28,391	15,510

31 December 2004	Contract amount		Fair values	
	Purchase	Sale	Assets	Liabilities
Foreign exchange derivatives				
Currency forwards	14,070	14,164	259	353
Currency swaps	1,834,573	1,843,799	6,819	16,072
Currency options	19,250	19,250	6	6
Interest rate derivatives				
Forward deposit	397,072	-	-	442
Equity derivatives				
Securities option	18,200	18,200	2,155	59
Derivative part of index linked deposit	-	-	158	-
Total derivatives assets/liabilities	2,283,165	1,895,413	9,397	16,932

NOTE 20 LOANS TO CREDIT AND FINANCIAL INSTITUTIONS (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
67,643	17,340	Short-term loans	486,645	424,095
1,203	869	Long-term loans	310,091	334,709
68,846	18,209	Total loans to credit and financial institutions	796,736	758,804
(2)	(985)	Less impairment losses on loans	-	(985)
68,844	17,224	Total loans to credit and financial institutions, net	796,736	757,819

NOTE 21 LOANS TO CUSTOMERS, NET (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
1,374,268	1,208,135	Short-term loans	1,310,650	1,210,272
7,549,056	4,674,556	Long-term loans	7,261,702	4,504,300
8,923,324	5,882,691	Total loans to customers	8,572,352	5,714,572
(107,946)	(48,738)	Less impairment losses on loans	(102,344)	(46,062)
8,815,378	5,833,953	Loans to customers, net	8,470,008	5,668,510

Interest rates in 2005 on short-term loans issued by AB SEB Vilniaus Bankas ranged from 2.58 percent to 10.50 percent for loans denominated in LTL (from 3.48 percent to 7.87 percent in 2004) and from 2.96 percent to 8.91 percent for loans denominated in foreign currencies (from 2.69 percent to 7.50 percent in 2004). Interest on long-term loans ranged from 2.47 percent to 12.11 percent (from 4.78 percent to 7.84 in 2004) and from 2.18 percent to 6.65 percent (from 1.95 percent to 5.28 percent in 2004) respectively.

As of 31 December 2005 loan with floating interest rate exceeded 86 percent of Bank's loan portfolio (72 percent as of 31 December 2004).

NOTE 22 LOANS BY INDUSTRIES, NET (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
31,019	15,181	Banks	205,752	185,528
37,827	3,028	Other financial intermediaries	590,984	573,276
(2)	(985)	Less provisions for loans to credit and financial institutions	-	(985)
68,844	17,224	Loans to credit and financial institutions, net	796,736	757,819
1,769,731	1,318,937	Trade and wholesale distribution	1,678,988	1,318,886
1,707,011	1,387,502	Processing industry	1,651,626	1,387,427
1,415,263	794,967	Real estate	1,498,441	889,039
347,363	330,776	Utilities	333,184	330,758
450,565	152,547	Construction	444,185	152,539
273,637	136,210	Transportation and telecommunication	272,659	136,202
342,784	129,890	Governmental and municipal services	342,751	129,883
109,362	73,619	Agriculture, hunting, forestry	108,282	73,615
91,064	87,689	Hotels and restaurants	90,866	87,685
5,562	6,403	Education	5,562	6,402
2,695	676	Exploitation and mining	2,695	676
10,697	7,589	Health care	10,206	7,589
2,397,590	1,455,886	Other	2,132,907	1,193,871
8,923,324	5,882,691	Total loans to customers	8,572,352	5,714,572
(107,946)	(48,738)	Less impairment losses on loans to customers	(102,344)	(46,062)
8,815,378	5,833,953	Loans to customers, net	8,470,008	5,668,510

NOTE 23 FINANCE LEASE RECEIVABLE, NET (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
		Gross finance lease receivable		
665,634	476,665	-Falling due within one year	-	-
1,210,242	868,092	-Falling due from one to five years	-	-
264,214	186,895	-Falling due after five years	-	-
2,140,090	1,531,652	Total gross finance lease receivable	-	-
		Unearned finance income		
(69,567)	(52,884)	-Falling due within one year	-	-
(110,889)	(83,150)	-Falling due from one to five years	-	-
(25,724)	(16,937)	-Falling due after five years	-	-
(206,180)	(152,971)	Total unearned finance income	-	-
(5,141)	(6,425)	Less impairment losses on finance lease receivable	-	-
1,928,769	1,372,256	Total finance lease receivable, net	-	-

The Group			The Bank	
2005	2004		2005	2004
637,976	448,635	Trucks and other vehicles	-	-
488,889	385,535	Real estate	-	-
361,445	211,589	Cars and mini-vans	-	-
312,794	228,620	Manufacturing equipment	-	-
21,300	19,167	Shop equipment	-	-
33,733	17,855	Construction equipment	-	-
20,443	13,972	Agricultural equipment	-	-
12,634	8,735	Office equipment	-	-
10,272	8,438	Medical equipment	-	-
4,370	1,239	Railway wagons and containers	-	-
621	2,057	Water transport means	-	-
29,433	32,839	Other assets	-	-
1,933,910	1,378,681	Total finance lease receivable	-	-
(5,141)	(6,425)	Less impairment losses on finance lease receivable	-	-
1,928,769	1,372,256	Total finance lease receivable, net	-	-

NOTE 24 INVESTMENT SECURITIES (LTL 000s)

The breakdown of the investment securities – available for sale may be summarised as follows:

The Group			The Bank	
2005	2004		2005	2004
		Securities available for sale:		
19,609	16,280	AB Lietuvos Telekomas	19,609	16,280
-	4,625	AB Klaipėdos Transporto Laivynas	-	-
2,141	3,448	AB Malsena	-	-
-	3,793	AB Ūkio Bankas	-	-
1,000	1,000	UAB Sostinių Golfas	-	-
-	507	UAB Baltijos Filtrai	-	-
506,274	-	SEB Funds	506,274	-
-	-	SEB VB Būsto Bankas debt securities	19,569	1,495
7,966	8,801	Other securities available for sale	726	8,700
536,990	38,454	Total securities held for investment purposes	546,178	26,475

The movement in investment securities for 2005 may be summarised as follows:

The Group			The Bank	
Available-for-sale	Held to maturity		Available-for-sale	Held to maturity
38,454	13,433	At 1 January 2005	26,475	13,433
4,660	1,991	Exchange differences on monetary assets	4,660	1,991
513,278	-	Additions	525,707	-
(31,147)	-	Disposals (sale and redemption)	(22,409)	-
11,745	-	Net increase in fair value	11,745	-
536,990	15,424	At 31 December 2005	546,178	15,424

NOTE 25 INVESTMENTS IN SUBSIDIARIES (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
		Securities accounted for under cost method:		
-	-	UAB SEB VB Lizingas	28,501	28,501
-	-	UAB SEB VB Rizikos Kapitalo Valdymas	25,000	25,000
-	-	UAB SEB VB Nekilnojamasis Turtas	25,703	25,703
-	-	AB SEB VB Būsto Bankas	20,000	20,000
-	-	UAB SEB VB Gyvybės Draudimas	10,325	10,325
-	-	UAB SEB Vilfima	8,280	8,280
-	-	UAB SEB VB Investicijų Valdymas	9,900	9,900
-	-	Bank Agio (Ukraine)	75,490	-
-	-	Total investments in subsidiaries	203,199	127,709

UAB SEB VB Lizingas is engaged in the leasing activities. The Bank owns 100 percent of the shares of UAB SEB VB Lizingas, which is consolidated in the Bank's financial statements.

UAB SEB VB Rizikos Kapitalo Valdymas is a fully owned subsidiary involved in venture capital activities. Financial statements of UAB SEB VB Rizikos Kapitalo Valdymas for the year ended 31 December 2005 are consolidated in these financial statements.

AB SEB VB Būsto Bankas is fully owned subsidiary involved in granting mortgage loans and obtaining finance by issuance of mortgage bonds. Financial statements of AB SEB VB Būsto Bankas for the year ended 31 December 2005 are consolidated in these financial statements.

NOTE 25 INVESTMENTS IN SUBSIDIARIES (LTL 000s) (CONTINUED)

UAB SEB VB Gyvybės Draudimas is a fully owned subsidiary of the Bank and is engaged in provision of life insurance services. Financial statements of UAB SEB VB Gyvybės Draudimas for the year ended 31 December 2005 are consolidated in these financial statements.

UAB SEB Vilfima is engaged in provision of corporate finance services. Consolidated financial statements of UAB SEB Vilfima (including subsidiaries in Latvia and Estonia) for the year ended 31 December 2005 are consolidated in these financial statements. In February 2005 UAB SEB Vilfima established subsidiary Vilfima SIA in Latvia with paid in share capital of LVL 10 thousand (LTL 50 thousand) and Vilfima OU in Estonia with with paid in share capital of EEK 227 thousand (LTL 50 thousand).

UAB SEB VB Investicijų Valdymas is a fully owned subsidiary of the Bank, engaged in provision of investments' management services. Financial statements of this entity are consolidated in these financial statements.

UAB SB VB Nekilnojamas Turtas is a fully owned subsidiary of the Bank, involved in real estate management activities, and its financial statements are consolidated in these financial statements.

In January 2005 the Bank purchased 95.02 percent of Ukrainian Bank *Agio* shares. As of 31 December 2005 the Bank had 98.81 percent of Bank *Agio* shares. Bank *Agio* is engaged in full scale banking operations in Ukraine. The acquired business contributed net profit of LTL 1,155 thousand to the Group for the period from 1 January 2005 to 31 December 2005.

In Autumn 2005 Bank *Agio* established subsidiary *Agio Lizing* in Ukraine with paid in share capital of UAH 500 thousand (LTL 282 thousand) and Assets management company *Agio Invest* with paid in share capital of UAH 2,000 thousand (LTL 1,127 thousand). Financial statements of Bank *Agio* and its subsidiaries for the year ended 31 December 2005 are consolidated in these financial statements.

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows (LTL 000's):

Cash and cash equivalents	34,965
Loans and advances to customers	83,215
Due from banks and loans to credit and financial institutions	15,261
Goodwill	29,331
Fixed assets tangible and intangible	29,091
Other assets	9,395
Deposits from public	(83,535)
Amounts borrowed from credit and financial institutions	(38,352)
Other liabilities	(4,494)
Minority interest	614
	75,491
Total purchase consideration paid (discharged by cash)	
	75,491
Cost of acquisition	75,491
Less: Cash and cash equivalents in subsidiary acquired	(34,965)
	40,526

Goodwill acquired on business combination with Bank *Agio* as of 31 December 2005 amounting to LTL 29,091 thousand comprised of LTL 23,104 thousand initial amount, LTL 4,823 thousand net translation differences (Note 26) and LTL 1,404 thousand payment to UAB SEB Vilfima for advisory during business combination.

The management of the Bank decided not to separate any intangible assets from goodwill as none of the following: projects of the acquiree, brand, customers list, met the definition of an intangible assets, i.e. it was not separable and there were no history or evidence of exchange transactions for the same or similar asset in the market.

The audited financial statements of subsidiaries are available at the Bank and the respective subsidiary.

NOTE 26 INTANGIBLE FIXED ASSETS (LTL 000s)

The Group				The Bank		
Goodwill	Software and other intangible fixed assets	Total intangible fixed assets		Goodwill	Software and other intangible fixed assets	Total intangible fixed assets
			31 December 2003			
225,691	49,411	275,102	Cost	225,691	47,206	272,897
(44,899)	(36,976)	(81,875)	Accumulated amortisation	(44,899)	(35,380)	(80,279)
180,792	12,435	193,227	Net book value	180,792	11,826	192,618
			For the year ended 31 December 2004			
-	3,362	3,362	Additions	-	4,433	4,433
-	(9,566)	(9,566)	Disposals	-	(9,535)	(9,535)
(11,243)	(5,625)	(16,868)	Amortisation charge for the year	(11,243)	(5,263)	(16,506)
-	9,512	9,512	Amortisation of disposals	-	9,481	9,481
169,549	10,118	179,667	Net book value	169,549	10,942	180,491
			31 December 2004			
			Cost			
225,691	43,207	268,898	31 December 2004	225,691	42,104	267,795
-	9,772	9,772	Additions	-	8,951	8,951
23,104	706	23,810	Additions acquired through business combination	-	-	-
4,823	147	4,970	Net translation differences	-	-	-
-	(3,115)	(3,115)	Disposals	-	(4,451)	(4,451)
253,618	50,717	304,335	31 December 2005	225,691	46,604	272,295
			Accumulated amortisation			
56,142	33,089	89,231	31 December 2004	56,142	31,162	87,304
-	5,227	5,227	Charge for the year	-	4,457	4,457
-	(1,356)	(1,356)	Amortisation of disposals	-	(1,288)	(1,288)
-	24	24	Translation difference	-	-	-
56,142	36,984	93,126	31 December 2005	56,142	34,331	90,473
			Net book value			
169,549	10,118	179,667	31 December 2004	169,549	10,942	180,491
197,476	13,733	211,209	31 December 2005	169,549	12,273	181,822

Goodwill is allocated to the Group's cash-generating units identified according to country of operation. When testing for impairment, the recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on most recent financial forecasts approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below.

Key assumptions used for value-in-use calculations to test the recoverability of goodwill:

	Lithuania	Ukraine
Growth rate	5 percent	5 percent
Discount rate	11.9 percent	24.5 percent

Management determined budgeted profit based on past its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

No impairment was recognised on goodwill as at 31 December 2005 (0 in 2004).

NOTE 27 TANGIBLE FIXED ASSETS (LTL 000s)

	The Bank			
	Buildings and other real estate	Computer equipment	Office equipment and other	Total tangible fixed assets
31 December 2003				
Cost	59,851	111,248	40,285	211,384
Accumulated depreciation	(5,132)	(65,774)	(26,631)	(97,537)
Net book value	54,719	45,474	13,654	113,847
For the year ended 31 December 2004				
Additions	233	4,993	4,988	10,214
Disposals	(552)	(15,695)	(6,101)	(22,348)
Charge for the year	(1,324)	(17,368)	(4,425)	(23,117)
Depreciation of disposals	-	15,247	5,935	21,182
Net book value	53,076	32,651	14,051	99,778
Cost				
31 December 2004	59,532	100,546	39,172	199,250
Additions	1,262	7,986	6,520	15,768
Disposals	(64)	(7,477)	(3,848)	(11,389)
31 December 2005	60,730	101,055	41,844	203,629
Accumulated depreciation				
31 December 2004	6,456	67,895	25,121	99,472
Charge for the year	1,349	14,689	4,580	20,618
Depreciation of disposals	-	(7,398)	(2,736)	(10,134)
31 December 2005	7,805	75,186	26,965	109,956
Net book value				
31 December 2004	53,076	32,651	14,051	99,778
31 December 2005	52,925	25,869	14,879	93,673

NOTE 27 TANGIBLE FIXED ASSETS (LTL 000s) (CONTINUED)

	The Group			
	Buildings and other real estate	Computer equipment	Office equipment and other	Total tangible fixed assets
31 December 2003				
Cost	192,957	113,408	42,365	348,730
Accumulated depreciation	(6,443)	(67,216)	(28,194)	(101,853)
Net book value	186,514	46,192	14,171	246,877
For the year ended 31 December 2004				
Additions	35,510	5,249	5,490	46,249
Disposals	(55,270)	(16,593)	(7,074)	(78,937)
Transfer to investment property	(4,940)	-	-	(4,940)
Charge for the year	(3,412)	(17,721)	(4,651)	(25,784)
Depreciation of disposals	-	15,919	6,785	22,704
Net book value	158,402	33,046	14,721	206,169
Cost				
31 December 2004	168,257	102,064	40,781	311,102
Additions	37,093	9,693	8,197	54,983
Acquisitions through business combinations	41,922	901	3,328	46,151
Disposals	(31,882)	(8,186)	(4,832)	(44,900)
Net translation differences	8,753	188	695	9,636
Transfers from (to) investment property and other assets captions	3,038	-	(105)	2,933
31 December 2005	227,181	104,660	48,064	379,905
Accumulated depreciation				
31 December 2004	9,855	69,018	26,060	104,933
Charge for the year	4,650	15,388	6,406	26,444
Depreciation of disposals	-	(7,985)	(3,469)	(11,454)
Transfers from (to) investment property and other assets captions	72	-	(52)	20
Translation difference	56	22	85	163
31 December 2005	14,633	76,443	29,030	120,106
Net book value				
31 December 2004	158,402	33,046	14,721	206,169
31 December 2005	212,548	28,217	19,034	259,799

NOTE 28 ASSETS UNDER OPERATING LEASE

Movement of assets under operating lease during 2005 is provided below:

	The Group		
	Vehicles	Office equipment and other	Total assets under operating lease
Cost			
31 December 2004	90,854	15,580	106,434
Additions	4,202	153	4,355
Disposals	(2,989)	(2,234)	(5,223)
Transfer to (from) leasing portfolio	(61,500)	(6,172)	(67,672)
31 December 2005	30,567	7,327	37,894
Accumulated depreciation			
31 December 2004	19,762	3,998	23,760
Charge for the year	6,247	1,866	8,113
Depreciation of disposals	(1,541)	(2,020)	(3,561)
Depreciation of transfers to/from leasing portfolio	(12,203)	(779)	(12,982)
31 December 2005	12,265	3,065	15,330
Impairment			
31 December 2004	57	995	1,052
Impairment charge	12	-	12
Impairment of transfers to/from leasing portfolio	(12)	-	(12)
31 December 2005	57	995	1,052
Net book value			
31 December 2004	71,035	10,587	81,622
31 December 2005	18,245	3,267	21,512

NOTE 29 INVESTMENT PROPERTY (LTL 000s)

The Group		The Bank
	Cost	
63,469	31 December 2004	24,893
250	Additions	-
(3,526)	Disposals	(1,851)
(1,640)	Reclassifications to tangible fixed assets	-
58,553	31 December 2005	23,042
	Accumulated depreciation	
5,058	31 December 2004	2,377
2,230	Charge for the year	518
(290)	Depreciation of disposals	(278)
(78)	Reclassifications to tangible fixed assets	-
6,920	31 December 2005	2,617
	Net book value	
58,411	31 December 2004	22,516
51,633	31 December 2005	20,425

During 2005 external experts performed valuation of main investment properties of the Group. According to the valuations, there were no indications that investment property is impaired. Also, based on valuations, as of 31 December 2005 fair value of investment property amounts to LTL 22 million for the Bank and to LTL 68 million for the Group.

NOTE 29 INVESTMENT PROPERTY (LTL 000s) (CONTINUED)

Investment property rental income for the Group in 2005 amounted to LTL 3,936 thousand (LTL 3,283 thousand in 2004) and related expenses for generating the income amounted to LTL 2,248 thousand (LTL 1,694 thousand in 2004).

The Group had LTL 0.9 million contractual obligations to develop and repair investment property as of 31 December 2005 (no obligations as of 31 December 2004). Contractual obligations to sell investment property as of 31 December 2005 amounted to LTL 1.0 million (LTL 0.9 million as of 31 December 2004).

NOTE 30 OTHER ASSETS, NET (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
49,146	41,191	Cash withdrawn from cards accounts	49,146	41,191
19,342	11,932	Advances paid for assets to be leased	-	-
13,740	12,081	Deferred expenses	7,565	5,419
13,324	7,747	Amounts receivable for cash exported	13,324	7,747
14,697	4,465	Amounts of executed bank transfers not yet withdrawn from customers' accounts	14,697	4,465
9,087	3,799	Amounts outstanding for clearance	8,667	3,799
4,673	2,196	Current lease receivable, net	-	-
3,642	2,769	Assets not yet leased	-	-
3,566	4,868	Accrued income, net	1,555	979
3,175	2,468	Deferred insurance acquisition costs	-	-
1,690	8,846	Accounts receivable for assets sold, net	3,447	11,189
886	735	Assets taken back from lessees, net	-	-
850	3,509	Prepaid taxes	160	3,189
335	732	Assets taken over for bad loans, net	335	732
21,035	9,478	Other assets, net	15,967	7,668
160,842	116,816	Total other assets, net	114,863	86,378

NOTE 31 AMOUNTS OWED TO CREDIT AND FINANCIAL INSTITUTIONS (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
2,724,810	1,270,740	Falling due within one year	2,576,170	1,180,388
1,868,074	1,268,288	Falling due after one year	718,968	558,869
4,592,884	2,539,028	Total amounts owed to credit and financial institutions	3,295,138	1,739,257

As of 31 December 2005 the Group was in compliance with loan covenants in respect of the Bank's financial position related to the received credit lines from foreign credit institutions.

NOTE 32 DEPOSITS FROM THE PUBLIC (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
5,904,594	3,907,754	Current and demand deposits	5,810,576	3,908,212
2,356,406	2,371,278	Term deposits falling due within one year	2,260,647	2,371,278
137,408	104,486	Term deposits falling due after one year	134,166	104,486
8,398,408	6,383,518	Total deposits from the public	8,205,390	6,383,976

All term deposits as of 31 December 2005 and 2004 accepted by the Bank had a fixed interest rate.

The Group			The Bank	
2005	2004		2005	2004
4,283,689	3,497,949	Corporate customers' deposits and accounts	4,191,464	3,498,146
4,114,719	2,885,569	Individual customers' deposits and accounts	4,013,926	2,885,830
8,398,408	6,383,518	Total deposits from the public	8,205,390	6,383,976

According to current requirement of Deposit Insurance Fund all banks in Lithuania have to make annual deposit insurance fund payments of 0.45 percent for deposits of private individuals and corporate customers nominated in LTL, USD, EUR and other EU countries' currencies.

NOTE 33 LIABILITIES IN LIFE INSURANCE OPERATIONS (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
123,611	74,675	Long-term life insurance contract provisions	-	-
144	87	Claims outstanding for short-term non-life insurance contracts	-	-
1,806	958	Unearned premiums for short-term non-life insurance contracts	-	-
125,561	75,720	Total liabilities in life insurance operations	-	-

Change in provisions through income statement during the year 2005 amounted LTL 49,841 thousand (LTL 32,236 thousand in 2004).

NOTE 34 SUBORDINATED LOANS (LTL 000s)

The Group			Interest rate %	The Bank	
2005	2004			2005	2004
51,802	51,792	EUR 15m subordinated loan due 2013	EURIBOR+0.8%	51,802	51,792
-	8,827	EUR 5.1m subordinated loan due 2005	LIBOR+3.50%	-	8,827
51,802	60,619	Total subordinated loans		51,802	60,619

NOTE 35 DEBT SECURITIES IN ISSUE (LTL 000s)

The Group			Interest rate %	The Bank	
2005	2004			2005	2004
		Debt securities in issue:			
19,865	20,000	2 years index linked debt securities due 2007	-	19,865	20,000
48,637	45,102	2 year debt securities due 2006	3.2	48,637	45,102
-	195,923	1 year debt securities due 2005	2.5-2.9	-	96,069
-	19,836	5 months debt securities due 2005	2.25	-	19,836
		Debt securities issued in 2005:			
96,949	-	3 years debt securities due 2008	3.1	96,949	-
72,403	-	3 years index linked debt securities due 2008	-	72,403	-
18,139	-	2 years index linked debt securities due 2007	-	18,139	-
48,925	-	2 year debt securities due 2007	3.0	48,925	-
49,469	-	1 year debt securities due 2006	2.6-3.2	49,469	-
19,594	-	1 year debt securities due 2006	2.6	-	-
66,357	-	1 to 6 months debt securities	2.1-2.45	96,521	-
440,338	268,300	Total debt securities in issue		450,908	181,007

NOTE 36 OTHER LIABILITIES AND PROVISIONS (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
65,964	14,810	Amounts payable for assets purchased for lease	-	-
43,839	27,965	Amounts outstanding for clearance	43,715	27,965
17,313	8,827	Accrued taxes	627	250
14,665	8,207	Prepayments for finance and operating lease	-	-
7,873	5,999	Vacation reserve accrual	7,442	5,729
1,499	1,805	Provisions for off balance sheet items	1,368	1,805
1,093	1,618	Name cheques sold	1,093	1,618
13,596	6,611	Other liabilities	10,472	5,571
165,842	75,842	Total other liabilities and provisions	64,717	42,938

NOTE 37 SHAREHOLDERS' EQUITY

Share capital of the Bank consists of 15,441,423 ordinary shares with par value LTL 10 each. Reserve capital, which as of 31 December 2005 amounted to LTL 693,321 thousand for the Bank and LTL 693,154 thousand for the Group in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses or used for the increase of share capital.

Legal reserve, which as of 31 December 2005 amounted to LTL 6,026 thousand for the Bank and LTL 7,971 thousand for the Group, in accordance with the legislation for banks operating in Lithuania can only be offset with the future losses.

Financial assets revaluation reserve represents available for sale securities revaluation gain, and Translation reserve represents gain on consolidation of Agio bank in Ukraine, which has another functional currency than the Bank.

General and other reserves represent general reserve for possible losses, amounting to LTL 1,602 thousand, which can only be offset with the current losses. General and other reserves also represent reserve for repurchase of own shares, amounting to LTL 3,869 thousand and fixed assets revaluation reserve amounting to LTL 83 thousand, both of them being proposed for transfer to reserve capital, the decision subject to approval of annual shareholders' meeting.

As of 31 December 2005 the major shareholders were as follows:

Name of shareholder	Number of shares held	Percentage in total
Skandinaviska Enskilda Banken (SEB)	15,285,109	98.99%
Other	156,314	1.01%
Total	15,441,423	100.00%

NOTE 38 ASSETS UNDER MANAGEMENT

The Group			The Bank	
2005	2004		2005	2004
70,439	67,019	Private individuals and corporate customers' assets under management	-	-
105,743	32,329	Pillar two balanced pension fund (VB Pension 2)	-	-
31,879	10,710	Pillar two conservative pension fund (VB Pension 1)	-	-
13,382	6,805	Conservative voluntary pension fund (Pension 1 Plus)	-	-
14,950	2,031	Balanced voluntary pension fund (Pension 2 Plus)	-	-
81,118	-	CIS equity fund	-	-
16,860	-	CIS bond fund	-	-
26,458	-	World market fund of funds	-	-
360,829	118,894	Total assets under management	-	-

All assets management services are performed by UAB SEB VB Investicijų Valdymas. Two pillar two pension funds were established in 2003, first payments into the funds being made in the second quarter of 2004. Two voluntary pension funds were established in 2004. Three investments funds were established in May of 2005.

NOTE 39 BANK'S ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY (LTL 000s)

The relationship between the maturity of assets and liabilities is indicative of liquidity risk and the extent to which it may be necessary to raise funds to meet outstanding obligations. The table below allocates assets and liabilities to maturity groups based on the time remaining from the balance sheet date to the contractual maturity or actual maturity, if known earlier.

Maturity	On demand	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years	Unclear maturity	Total
Assets											
Cash in hand	244,505	-	-	-	-	-	-	-	-	-	244,505
Balances with the Central Banks	931,722	-	-	-	-	-	-	-	-	-	931,722
Government securities - available for sale and trading								240,924	66,460		
a)	-	31,054	121,244	99,355	64,632	571,056	79,639			-	1,274,364
Derivative financial instruments	-	-	-	-	-	-	-	-	-	28,391	28,391
Loans to credit and financial institutions and due from banks, net	117,246	282,440	98,307	198,601	241,005	207,633	1,102	711	-	-	1,147,045
Loans to customers, net	-	205,183	531,980	721,855	1,239,880	2,135,281	1,226,571	1,354,732	922,529	131,997	8,470,008
Investment securities - available for sale and trading	-	-	9,442	210,497	336,575	9,801	-	-	-	20,336	586,651
Investment securities - held to maturity	-	-	-	-	-	-	-	15,424	-	-	15,424
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	203,199	203,199
Intangible fixed assets (less amortisation)	-	-	-	-	-	-	-	-	-	181,822	181,822
Tangible fixed assets (less depreciation)	-	-	-	-	-	-	-	-	-	93,673	93,673
Investment property	-	-	-	-	-	-	-	-	-	20,425	20,425
Other assets, net	72,567	8,195	3,850	1,345	3,004	3,384	623	-	114	21,781	114,863
Total assets	1,366,040	526,872	764,823	1,231,653	1,885,096	2,927,155	1,307,935	1,611,791	989,103	701,624	13,312,092

a) Government securities and investments into non-equity securities are broken down by their actual terms to maturity.

NOTE 39 BANK'S ASSETS AND LIABILITIES STRUCTURE BY TERM TO MATURITY (LTL 000s) (CONTINUED)

Maturity	On demand	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years	Unclear maturity	Total
Liabilities and shareholders' equity											
Amounts owed to the Central Banks	37	-	-	-	-	-	-	-	-	-	37
Amounts owed to credit and financial institutions	565,931	532,812	638,641	730,433	107,920	186,888	109,275	423,238	-	-	3,295,138
Derivative financial instruments	-	15,510	-	-	-	-	-	-	-	-	15,510
Deposits from the public	5,760,869	919,642	452,644	470,966	432,956	109,590	21,954	1,753	518	34,498	8,205,390
Subordinated loans	-	-	-	-	-	-	-	51,802	-	-	51,802
Debt securities in issue	-	28,674	67,845	49,469	48,639	256,281	-	-	-	-	450,908
Other liabilities and provisions	47,732	16,522	13,082	649	24,790	12	-	-	1	5,907	108,695
Equity	-	-	-	-	-	-	-	-	-	1,184,612	1,184,612
Total liabilities and shareholders' equity	6,374,569	1,513,160	1,172,212	1,251,517	614,305	552,771	131,229	476,793	519	1,225,017	13,312,092
Net assets (liabilities) before off balance sheet items	(5,008,529)	(986,288)	(407,389)	(19,864)	1,270,791	2,374,384	1,176,706	1,134,998	988,584	(523,393)	-
Off balance sheet items (net)	-	836,888	149,189	418,833	297,146	486,428	111,432	988,942	508,915	(1,208)	3,796,565
Net assets (liabilities)	(5,008,529)	(1,823,124)	(556,568)	(438,664)	973,645	1,887,967	1,065,275	146,057	479,668	(520,924)	(3,795,197)

As of 31 December 2004

Maturity	On demand	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years	Unclear maturity	Total
Total assets	631,193	873,244	819,224	814,563	1,260,537	1,757,228	1,191,607	1,092,473	315,707	764,882	9,520,658
Total liabilities and shareholders' equity	4,188,059	1,297,838	787,391	1,028,306	340,172	438,194	42,540	293,083	139	1,104,936	9,520,658
Off balance sheet items (gross)	-	485,450	106,043	203,861	249,955	71,340	71,370	104,913	355,996	26,743	1,675,671
Net assets (liabilities)	(3,556,866)	(909,855)	(74,169)	(417,514)	670,507	1,247,735	1,077,778	694,537	(40,308)	(365,711)	(1,673,866)

LIQUIDITY RATIO	2005	2004
Total current assets	3,405,019	2,399,534
Total current liabilities	9,429,122	6,564,367
Liquidity ratio	36.11%	36.55%

As of 31 December 2005 the Bank's liquidity ratio exceeded the statutory minimum required by the Bank of Lithuania (30 percent).

NOTE 40 CAPITAL ADEQUACY

The dynamics of the capital adequacy ratio during 2005 is presented in the table below:

	The Group	The Bank
31 December 2004	11.10%	11.46%
31 March 2005	10.95%	11.08%
30 June 2005	10.32%	10.35%
30 September 2005	9.34%	9.19%
31 December 2005	8.28%	8.16%

NOTE 41 NET FOREIGN CURRENCY POSITION (LTL 000s)

The following table presents the equivalent amount in thousands of LTL of the net position of assets and liabilities denominated in currencies other than LTL and EUR as of 31 December 2005:

The Group		Currency	Rates	The Bank	
Position	Position as percentage of capital			Position	Position as percentage of capital
(28,925)	(2.67)	U.S. Dollars (USD)	2.9102	(28,977)	(3.23)
1,896	0.17	Canadian Dollars (CAD)	2.4960	1,896	0.21
97	0.01	Russian Rubbles (RUB)	0.101312	93	0.01
(176)	(0.02)	Estonian Crone (EEK)	0.22067	(227)	(0.03)
77,202	7.12	The remaining long positions	N/A	600	0.07
(729)	(0.07)	The remaining short positions	N/A	(1,013)	(0.11)
79,195	7.30	Open short position	N/A	(30,217)	(3.37)

The following table presents the equivalent amount in thousands of LTL of the net position of assets and liabilities denominated in currencies other than LTL as of 31 December 2004:

The Group		Currency	Rates	The Bank	
Position	Position as percentage of capital			Position	Position as percentage of capital
(32,915)	(3.52)	U.S. Dollars (USD)	2.5345	(33,895)	(4.10)
2,996	0.32	Canadian Dollars (CAD)	2.0911	(3)	(0.00)
500	0.05	Russian Rubbles (RUB)	0.09106	500	0.06
304	0.03	Estonian Crone (EEK)	0.2207	198	0.02
33	0.00	The remaining long positions	N/A	21	0.00
(614)	(0.06)	The remaining short positions	N/A	(652)	(0.07)
(33,529)	(3.58)	Open short position	N/A	(34,550)	(4.17)

Based on requirements of the Bank of Lithuania, starting from 1 December 2004, EUR currency position is not included when calculating foreign currency open position.

As of 31 December 2005 the Group complied with the foreign currency open position requirements set forth by the Bank of Lithuania.

NOTE 42 INTEREST RATE RISK MANAGEMENT (LTL 000s)

Interest rate risk gap report presented below is used for the interest rate risk management purposes by the management of the Bank and gives an aggregated view of interest rate re-pricing maturities. Balances in the report below are grouped and presented on a different basis than financial information included in the balance sheet.

As of 31 December 2005:

Maturity	Up to 1 year	1 – 3 years	Over 3 years	Total
Assets				
Net loans	8,030,072	228,122	211,814	8,470,008
Debt securities	882,601	571,056	387,023	1,840,680
Interbank deposits and net loans	821,989	207,414	15,798	1,045,201
Other assets	-	1,760	-	1,760
Off balance sheet assets	449,037	224,432	83,425	756,894
Total interest rate sensitive assets	10,183,699	1,232,784	698,060	12,114,543
Liabilities				
Term deposits	2,482,873	109,591	24,224	2,616,688
Interbank deposits and loans	2,229,729	173,940	377,340	2,781,009
Other liabilities	194,626	256,282	-	450,908
Off balance sheet liabilities	34,701	-	83,425	118,126
Total interest rate sensitive liabilities	4,941,929	539,813	484,989	5,966,731
Gap	5,241,770	692,971	213,071	6,147,812

As of 31 December 2004:

Maturity	Up to 1 year	1 – 3 years	Over 3 years	Total
Total interest rate sensitive assets	6,871,367	668,630	785,665	8,325,662
Total interest rate sensitive liabilities	3,486,432	300,411	279,332	4,066,175
Gap	3,384,935	368,219	506,333	4,259,487

The Bank's interest rate sensitivity in case of parallel shift by 1 p.p. in the yield curve, in LTL million is presented in the table below:

Interest rate sensitivity	2005	2004
Effect to net interest income (Δ NI)	36.3	20.8
Effect to the market value of shareholders equity (delta 1%)	48.2	46.4

During 2005 the interest rate sensitivity increased due to an increased mismatch between interest rate sensitive assets and liabilities caused by significant growth of lending volumes.

The Bank via provision of financing for its subsidiaries, and other Group interest rate risk management policies and techniques manages interest rate risk of its subsidiaries and the Group.

NOTE 43 COMPLIANCE WITH REGULATORY REQUIREMENTS

As of 31 December 2005 both the Bank and the Group were in compliance with the maximum lending to one customer, large exposure, related party lending, investment and open foreign currency position limits established by the Central Banks. During the year neither Bank nor the Group received any sanctions from the Bank of Lithuania or Bank of Ukraine.

The local legislation requires banks to prepare consolidated accounts for group entities engaged in financial services activities without consolidation of entities involved in other activities. To comply with this requirement the Bank consolidated all its subsidiaries except for SEB VB Nekilnojamosios Turtas, real estate company, and presents this information in this note.

NOTE 43 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

The income statement, balance sheet, equity movements and cash flows of the consolidated financial services providing Group's entities are as follows:

Income statement for the Group excluding real estate company for the year ended 31 December 2005

2005	(restated) 2004	
500,152	367,575	Interest income
(163,955)	(111,758)	Interest expenses
<u>320,237</u>	<u>255,817</u>	Net interest income
(46,620)	(1,705)	Impairment losses on loans
1,257	(1,523)	Impairment losses on lease portfolio and other doubtful leasing assets
464	(330)	Provisions for guarantees
131	(214)	Other impairment (losses) releases
<u>(44,768)</u>	<u>(3,772)</u>	
<u>275,469</u>	<u>252,045</u>	Net interest income after impairment losses
127,309	116,990	Net service charges and other income
9,569	4,498	Net gain on equity investments
37,656	(19,254)	Net gain (loss) on operations with debt securities and financial instruments
25,252	63,386	Net foreign exchange gain
<u>199,786</u>	<u>165,620</u>	
53,247	40,738	Net insurance premium revenue
(52,405)	(35,028)	Gross insurance expenses
842	5,710	Net life insurance income
(30,671)	(23,187)	Deposit insurance expenses
(124,073)	(108,286)	Staff costs
<u>(141,862)</u>	<u>(158,841)</u>	Other administrative expenses
(296,606)	(290,314)	
<u>179,491</u>	<u>133,061</u>	Profit before income tax
(31,560)	(15,764)	Income tax
<u>147,931</u>	<u>117,297</u>	Net income
		Attributable to:
147,917	117,297	Equity holders of the parent
14	-	Minority interest
<u>147,931</u>	<u>117,297</u>	
9.58	7.60	Earnings per share, attributable to equity holders of the parent (LTL)
9.58	7.60	Diluted earnings per share, attributable to equity holders of the parent (LTL)

NOTE 43 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Balance sheet of the Group excluding real estate company as of 31 December 2005

2005	2004	
		Assets
251,370	216,907	Cash in hand
968,108	451,430	Balances with the Central Banks
337,083	707,670	Due from banks, net
1,137,304	1,108,193	Government securities – available for sale
315,290	110,214	Financial assets at fair value through profit or loss
28,391	9,386	Derivative financial instruments
68,844	17,224	Loans to credit and financial institutions, net
8,908,108	5,927,973	Loans to customers, net
1,928,769	1,372,256	Finance lease receivable, net
536,990	38,454	Investment securities – available for sale
15,424	13,433	Investment securities – held to maturity
25,703	24,932	Investments in subsidiaries
211,198	179,667	Intangible fixed assets
150,460	100,818	Tangible fixed assets
21,512	81,622	Assets under operating lease
40,346	44,742	Investment property
2,767	2,524	Deferred tax asset
160,736	116,712	Other assets, net
<u>15,108,403</u>	<u>10,524,157</u>	Total assets
		Liabilities
245	68	Amounts owed to the Central Banks
4,592,884	2,539,028	Amounts owed to credit and financial institutions
15,510	16,931	Derivative financial instruments
8,398,438	6,383,715	Deposits from the public
125,561	75,720	Liabilities in life insurance operations
25,577	24,053	Accrued expenses and deferred income
24,769	17,493	Income tax payable
51,802	60,619	Subordinated loans
440,338	268,300	Debt securities in issue
12,066	-	Deferred tax liabilities
164,376	75,634	Other liabilities and provisions
<u>13,851,566</u>	<u>9,461,561</u>	Total liabilities
		Equity
		Equity attributable to equity holder of the parent
154,414	154,414	Paid in capital
189,040	189,040	Share premium
693,154	594,481	Reserve capital
22,732	(6,512)	Financial assets revaluation reserve
15,555	-	Translation reserve
7,945	-	Legal reserve
5,554	5,554	General and other reserves
167,689	125,619	Net income for the period and retained earnings
<u>1,256,083</u>	<u>1,062,596</u>	
<u>754</u>	<u>-</u>	Minority interest
<u>1,256,837</u>	<u>1,062,596</u>	Total equity
<u>15,108,403</u>	<u>10,524,157</u>	Total liabilities and equity
12.6%	11.70%	Return on Average Equity attributable to equity holders of the parent
1.19%	1.25%	Return on Average Total Assets

NOTE 43 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Equity movements for the Group excluding real estate company the year ended as of 31 December 2005

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Translation reserve	Legal reserve	General and other reserves	Retained earnings	Minority interest	Total
31 December 2003 as previously reported	154,414	189,040	462,205	-	-	-	5,554	132,277	-	943,490
Changes in accounting policy:										
Available-for-sale restatement	-	-	-	(8,321)	-	-	-	8,321	-	-
31 December 2003 restated	154,414	189,040	462,205	(8,321)	-	-	5,554	140,598	-	943,490
Transfers to reserves	-	-	132,276	-	-	-	-	(132,276)	-	-
Net credit to financial assets revaluation reserve for the period, net of deferred tax	-	-	-	1,809	-	-	-	-	-	1,809
Net income for the year 2004	-	-	-	-	-	-	-	117,297	-	117,297
31 December 2004	154,414	189,040	594,481	(6,512)	-	-	5,554	125,619	-	1,062,596
Changes in accounting policy for subsidiaries accounting			-			(26)	797			771
Transfers to reserves	-	-	98,673	-	-	7,971	-	(106,644)	-	-
Net credit to financial assets revaluation reserve for the period, net of deferred tax	-	-	-	29,244	-	-	-	-	-	29,244
Acquisition of Agio bank	-	-	-	-	-	-	-	-	754	754
Net income for the period	-	-	-	-	-	-	-	147,917	-	147,917
Net credit to translation reserve for the period	-	-	-	-	15,555	-	-	-	-	15,555
31 December 2005	154,414	189,040	693,154	22,732	15,555	7,945	5,554	167,689	754	1,256,837

NOTE 43 COMPLIANCE WITH REGULATORY REQUIREMENTS (CONTINUED)

Cash flow statement for the Group excluded real estate company for the year ended as of 31 December 2005

2005	2004	
		Cash from operating activities
484,026	364,555	Interest income received
(163,725)	(107,688)	Interest expenses paid
25,252	63,386	Net foreign exchange gain
37,656	(17,445)	Net gain (loss) in securities trading and financial instruments
139,303	116,990	Net commission and service income
50,683	39,144	Life insurance operations
(124,073)	(108,286)	Staff costs
(128,714)	(120,430)	Other payments
<u>320,408</u>	<u>230,226</u>	Net cash from operating activities before change in operating assets
		Changes in operating assets
(169,546)	(85,026)	Increase in compulsory balances with the Central Banks
218,976	(168,947)	Decrease (increase) in due from banks and loans to credit and financial institutions
(2,939,408)	(1,106,931)	Increase in loans to customers
(38,481)	3,974	(Increase) decrease in other current assets
<u>(2,928,461)</u>	<u>(1,356,930)</u>	Net increase in operating assets
		Changes in operating liabilities
1,922,422	1,494,640	Increase in deposits from the public
86,873	(14,674)	Increase (decrease) in accrued expenses, deferred income and other liabilities
<u>2,009,295</u>	<u>1,479,966</u>	Net increase in operating liabilities
<u>(598,757)</u>	<u>353,262</u>	Net cash (to) from operating activities before income tax
(20,279)	(1,923)	Income tax paid
<u>(619,036)</u>	<u>351,339</u>	Net cash (to) from operating activities after income tax
		Cash flow from (to) investing activities
(37,615)	(9,912)	Purchase of tangible and intangible fixed assets, net
133	48,938	Decrease in investment in Government securities - available for sale
(42,035)	-	Investment in subsidiaries, net of cash acquired
(717,690)	(98,443)	Increase of investment in other securities and derivatives
4,396	(3,513)	Sale (purchase) of investment property, net
<u>(500,713)</u>	<u>(500,551)</u>	Increase of finance lease receivable
<u>(1,293,524)</u>	<u>(563,481)</u>	Cash used in investing activities
		Cash flow from (to) financing activities
177	1	Increase (decrease) in amounts owed to the Central Banks
2,015,504	69,365	Increase (decrease) in amounts owed to credit and financial institutions
(8,817)	(8,827)	Decrease in subordinated loans
172,039	256,271	Debt securities issued, net
<u>2,178,903</u>	<u>316,810</u>	Cash received (used in) financing activities
<u>266,343</u>	<u>104,668</u>	Net increase in cash
<u>645,592</u>	<u>540,924</u>	Cash 1 January
<u>911,935</u>	<u>645,592</u>	Cash 31 December
		Specified as follows:
373,084	25,952	Balance available for withdrawal with the Central Banks
164,930	325,559	Overnight deposits
251,370	216,907	Cash on hand
122,551	77,174	Current accounts with other banks
<u>911,935</u>	<u>645,592</u>	

NOTE 44 RELATED PARTIES (LTL 000s)

A number of banking transactions are entered into with related parties in the normal course of business. The transactions with top parent company include loans, deposits and debt instrument transactions. Transactions with SEB group during the year can be specified as follows:

The Group			Interest rate %	The Bank	
2005	2004			2005	2004
(189,729)	(520,681)	Outstanding loan amount at year end	0.95-8.15	(189,729)	(520,681)
(506,274)	-	Debt instruments (AFS) at year end	-	(506,274)	-
(22,676)	-	Positive replacement values (HFT) at year end	-	(22,676)	-
(751)	(7,691)	Other assets at year end	-	(650)	(7,691)
3,974,575	2,158,868	Outstanding deposit amount at year end	0.35-4.41	3,658,037	1,312,932
19,291	34,977	Other liabilities at year end	-	19,291	29,815
19,590	9,577	Interest income	-	19,590	9,577
(72,617)	(54,503)	Interest expense	-	(47,936)	(36,502)
(1,617)	(4,151)	Other services received and cost incurred from SEB group, net	-	(3,044)	(4,151)

Transactions between the Bank and its subsidiaries during the year can be specified as follows:

The Group			Interest rate %	The Bank	
2005	2004			2005	2004
-	-	Off-balance sheet commitments as of 31 December:			
-	-	Agreements to grant loans		88,711	38,593
-	-	Guarantees issued		2,313	1,859
-	-	Letters of credit issued		2,199	360
		Outstanding loan amounts at year end:			
-	-	UAB SEB VB Lizingas	2.23-5.512	550,675	567,574
-	-	UAB SEB VB Būsto Bankas	2.19-4.359	200,980	170,516
-	-	UAB SEB VB Nekilnojamasis Turtas	4.443-5.43	92,729	94,020
-	-	UAB SEB VB Investicijų Valdymas	4.93	2,500	2,500
-	-	Bank Agio	4.56-7.52	18,461	-
		Outstanding deposit amounts at year end:			
-	-	UAB SEB VB Rizikos Kapitalo Valdymas	0.2-2.63	28,016	10,223
-	-	UAB SEB VB Investicijų Valdymas	0.2-4.0	1,635	412
-	-	UAB SEB VB Būsto Bankas	0.2-0.35	8,722	32,924
-	-	UAB SEB Vilfima	0.2-2.2	8,313	4,538
-	-	UAB SEB VB Gyvybės Draudimas	0.2-4.0	1,762	3,078
-	-	UAB SEB VB Nekilnojamasis Turtas	0.35	-	162
-	-	UAB SEB VB Lizingas	0.2-0.35	105	17
-	-	Bank Agio	0.2-0.35	369	-
-	-	Other assets at year end	-	2,081	2,754
-	-	Other liabilities at year end	-	22	181
-	-	Issued debt securities purchased by the Bank at year end	-	19,569	1,495
-	-	Interest income	-	28,133	34,527
-	-	Interest expense	-	(1,036)	(370)
-	-	Other services received and cost incurred from subsidiaries, net	-	(6,903)	(1,263)

During 2005 the Bank disbursed the following amounts according lending agreements: LTL 1,738,442 thousand to UAB SEB VB Lizingas; LTL 376,799 thousand to UAB SEB VB Busto Bankas; LTL 225,851 thousand to Bank Agio; LTL 77,709 thousand to UAB SEB VB Gyvybės Draudimas; LTL 10,345 thousand to UAB SEB VB Nekilnojamasis Turtas; LTL 9,804 thousand to UAB SEB VB Investicijų Valdymas; LTL 4,544 thousand to UAB SEB Vilfima.

NOTE 44 RELATED PARTIES (LTL 000s) (CONTINUED)

Transactions with key management (the Board members) during the year can be specified as follows:

The Group			Interest rate %	The Bank	
2005	2004			2005	2004
1,022	659	Outstanding loan amount at year end	3.00-3.76%	1,022	659
960	847	Outstanding deposit amount at year end	0.25-4.00%	960	847
1,610	-	Commitments to grant loans at year end	3.00%	1,610	-
6,543	5,476	Payroll and bonuses including social security	-	6,543	5,476
2,754	1,326	Amounts payable	-	2,754	1,326
14	24	Interest income	-	14	24
24	7	Interest expense	-	24	7

NOTE 45 APPROPRIATION OF PROFIT AND TRANSFERS OF RESERVES (LTL 000s)

The following Bank's profit appropriations and transfers of reserves were proposed to annual shareholders meeting:

	Reserve capital	Legal reserve	General and other reserves	General reserve for losses	Net income for the period	Retained earnings
31 December 2005	693,321	6,026	3,952	1,602	106,774	6,512
Treasury share reserve transfer to Reserve capital	3,826	-	(3,826)	-	-	-
Other general reserve transfer to Reserve capital	43	-	(43)	-	-	-
Fixed assets revaluation reserve transfer to Reserve capital	83	-	(83)	-	-	-
Profit appropriation to General reserve for losses	-	-	-	7,736	(7,736)	-
Profit appropriation to Legal reserve	-	5,400	-	-	(5,400)	-
Profit appropriation to Retained earnings	-	-	-	-	(93,638)	93,638
31 December 2005 after appropriation of profit and transfers of reserves	697,273	11,426	-	9,338	-	100,150

Profit appropriation of other Group companies will be approved during shareholders meetings of each subsidiary separately.

NOTE 46 OFF BALANCE SHEET ITEMS (LTL 000s)

The Group			The Bank	
2005	2004		2005	2004
3,484,469	1,484,329	Agreements to grant loans	3,530,703	1,516,958
430,497	388,604	Guarantees issued	429,009	390,463
256,863	82,376	Letters of credit issued	258,717	82,736
137,861	74,302	Commitments to purchase assets and other liabilities	-	23
-	70,823	Commitments to purchase equity shares	-	70,823
8,631	6,417	Avalised bills of exchange	8,075	6,417
673	659	Customs guarantees collateralised by deposits	673	659

Legal proceedings. There were a few legal proceedings outstanding against the Group at 31 December 2005. No provision has been made, except for event described in Note 47, as professional advice indicates that it is unlikely that any significant loss will arise.

As of 31 December 2005 rental off balance sheet commitments of the Group amounted to LTL 7,377 thousand (LTL 5,011 thousand in 2004) and rental off balance sheet commitments of the Bank amounted to LTL 6,322 thousand (LTL 9,857 thousand in 2004). All non-cancellable commitments fall into the period within one year.

Commitments to purchase or sell foreign currency, both for spot and derivative transactions, as well as other off balance sheet derivative commitments can be specified by maturity as follows:

	Up to 1 month	1 - 3 months	3 - 6 months	Over 6 months	Total
Currency purchase contracts	1,220,819	53,676	27,679	47,725	1,349,899
Other purchase derivative contracts	-	569,885	103,584	209,625	883,094
Currency sale contracts	(1,219,888)	(53,665)	(27,660)	(46,429)	(1,347,642)
Other sale derivative contracts	-	(34,701)	-	(209,625)	(244,326)
Net assets	931	535,195	103,603	1,296	641,025

The future lease and investment property rental payments under non-cancellable operating lease can be specified as follows:

The Group			The Bank	
2005	2004		2005	2004
8,586	28,463	Short term deferred income (up to 1 year)	1,673	1,777
17,187	73,209	Long term deferred income (up to 5 years)	4,596	6,275
736	1,536	Long term deferred income (more than 5 years)	-	-
26,509	103,208	Total future lease and rental payments under non-cancellable operating lease	6,269	8,052

NOTE 47 POST BALANCE SHEET EVENTS

On 31 January 2005 State Tax Authorities delivered to the Bank claim amounting to LTL 21.2 million regarding income tax payments in 2002 and 2003. On 23 January 2006 State Tax Authorities and the Bank signed agreement according to which the Bank paid to the Tax Authorities LTL 10,000 thousand additional income tax related to the years 2002 and 2003, the amount being expensed in 2005.