

**AB SAMPO BANKAS**  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005  
WITH INDEPENDENT AUDITORS' REPORT

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF AB SAMPO BANKAS

We have audited the accompanying balance sheet of AB Sampo Bankas (“the Bank”) and consolidated balance sheet of the Bank together with its subsidiary UAB Sampo Banko Lizingas (“the Group”) as of 31 December 2005 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants (IFAC). 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 the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

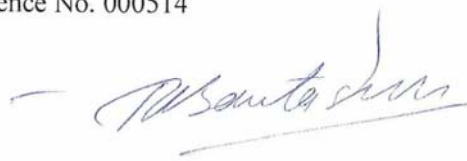
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2005 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union.

Furthermore, we have read the Management Report for the year ended 31 December 2005 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2005.

UAB ERNST & YOUNG BALTIC  
Audit company’s licence No. 000514



Jonas Akelis  
Auditor’s licence  
No. 000003



Ramūnas Bartašius  
Auditor’s licence  
No. 000362

The audit was completed on 26 January 2006.

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**STATEMENTS OF INCOME**

	Note	The Bank		The Group	
		2005	2004	2005	2004
Interest income		86,346	42,779	94,605	49,861
Interest expenses		(41,053)	(18,159)	(45,737)	(21,978)
<b>Net interest income</b>	3	<b>45,293</b>	<b>24,620</b>	<b>48,868</b>	<b>27,883</b>
Impairment of loan and finance lease portfolio	5	(5,186)	(1,277)	(5,074)	(2,044)
Other impairment and provisions		299	(350)	298	(350)
Loan loss recovery		155	1,093	471	1,093
<b>Impairment (expenses), net of releases and recoveries</b>		<b>(4,732)</b>	<b>(534)</b>	<b>(4,305)</b>	<b>(1,301)</b>
<b>Net interest income after impairment</b>		<b>40,561</b>	<b>24,086</b>	<b>44,563</b>	<b>26,582</b>
Fee and commission income		9,002	6,646	9,029	6,678
Fee and commission expenses		(2,204)	(1,513)	(2,307)	(1,516)
<b>Net fee and commission income</b>	4	<b>6,798</b>	<b>5,133</b>	<b>6,722</b>	<b>5,162</b>
Net income (loss) on trading securities	6	(179)	1,098	(179)	1,098
Net foreign exchange gain	7	2,326	1,386	2,238	1,369
Other income	8	763	1,027	4,959	4,641
<b>Other non-interest income</b>		<b>2,910</b>	<b>3,511</b>	<b>7,018</b>	<b>7,108</b>
Salaries and benefits	9	(18,831)	(14,704)	(20,323)	(15,707)
Depreciation and amortisation	17,18	(1,557)	(1,173)	(6,233)	(5,415)
Premise rent and maintenance		(3,401)	(3,244)	(3,680)	(3,445)
Other operating expenses	10	(18,247)	(12,239)	(19,168)	(12,995)
<b>Operating expenses</b>		<b>(42,036)</b>	<b>(31,360)</b>	<b>(49,404)</b>	<b>(37,562)</b>
<b>Profit before income tax expense</b>		<b>8,233</b>	<b>1,370</b>	<b>8,899</b>	<b>1,290</b>
Income tax expense	11	-	-	(162)	(156)
<b>Profit for the year</b>		<b>8,233</b>	<b>1,370</b>	<b>8,737</b>	<b>1,134</b>
Earnings per share (LTL)	28	5.97	1.24	6.34	1.03

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

**BALANCE SHEETS**

	Note	The Bank		The Group	
		2005	2004	2005	2004
<b>Assets</b>					
Cash		15,355	7,857	15,355	7,857
Balances with the Bank of Lithuania	12	162,869	82,103	162,869	82,103
Investments at fair value through profit or loss	16	87,943	81,630	87,943	81,630
Due from banks and other financial institutions	13	321,599	64,203	158,254	41,829
Loans to customers, net	14	2,321,264	1,171,285	2,321,264	1,171,285
Financial lease receivables, net	15	-	-	336,354	257,948
Held to maturity investments	16	152,481	95,093	152,481	95,093
Investment into subsidiary	16	4,000	4,000	-	-
Intangible assets, less amortisation	17	1,523	1,426	1,545	1,447
Property, plant and equipment, less depreciation	18	6,377	5,760	21,833	28,004
Other assets, net	19	4,665	3,894	10,730	7,497
<b>Total assets</b>		<b>3,078,076</b>	<b>1,517,251</b>	<b>3,268,628</b>	<b>1,774,693</b>
<b>Liabilities</b>					
Amounts owed to credit and financial institutions	20	1,848,839	952,137	2,030,709	1,201,375
Deposits from public	21	734,150	398,229	734,150	398,229
Debt securities issued	22	187,512	-	187,512	-
Accrued expenses and deferred income	23	7,214	3,490	7,581	5,336
Current profit tax		-	-	162	156
Provisions	24	803	582	804	582
Other liabilities	25	31,825	6,489	40,734	13,952
<b>Total liabilities</b>		<b>2,810,343</b>	<b>1,360,927</b>	<b>3,001,652</b>	<b>1,619,630</b>
<b>Subordinated loan</b>	26	<b>68,947</b>	<b>50,771</b>	<b>68,947</b>	<b>50,771</b>
<b>Shareholders' equity</b>	27				
Paid in capital		184,908	118,040	184,908	118,040
Restricted reserve		95	95	95	95
Reserve capital		3,212	3,155	3,212	3,155
Retained earnings		10,571	(15,737)	9,814	(16,998)
<b>Total shareholders' equity</b>		<b>198,786</b>	<b>105,553</b>	<b>198,029</b>	<b>104,292</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,078,076</b>	<b>1,517,251</b>	<b>3,268,628</b>	<b>1,774,693</b>

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

**STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**

<b><u>The Bank</u></b>	<u>Note</u>	<u>Paid in capital</u>	<u>Restricted reserve</u>	<u>Reserve capital</u>	<u>Retained earnings</u>	<u>Total equity</u>
<b>Balance as of 31 December 2003</b>		<b>88,040</b>	<b>95</b>	<b>3,155</b>	<b>(18,132)</b>	<b>73,158</b>
Impact of discontinued equity method application	2	-	-	-	1,025	1,025
<b>Balance as of 31 December 2003 (restated)</b>		<b>88,040</b>	<b>95</b>	<b>3,155</b>	<b>(17,107)</b>	<b>74,183</b>
Capital increase		30,000	-	-	-	30,000
Profit for the year		-	-	-	1,370	1,370
<b>Balance as of 31 December 2004</b>		<b>118,040</b>	<b>95</b>	<b>3,155</b>	<b>(15,737)</b>	<b>105,553</b>
Capital increase	27	66,868	-	-	-	66,868
Contributions to cover retained losses		-	-	-	18,132	18,132
Transfers to obligatory reserves		-	-	57	(57)	-
Profit for the year		-	-	-	8,233	8,233
<b>Balance as of 31 December 2005</b>		<b>184,908</b>	<b>95</b>	<b>3,212</b>	<b>10,571</b>	<b>198,786</b>
<b><u>The Group</u></b>	<u>Note</u>	<u>Paid in capital</u>	<u>Restricted reserve</u>	<u>Reserve capital</u>	<u>Retained earnings</u>	<u>Total equity</u>
<b>Balance as of 31 December 2003</b>		<b>88,040</b>	<b>95</b>	<b>3,155</b>	<b>(18,132)</b>	<b>73,158</b>
Capital increase		30,000	-	-	-	30,000
Profit for the year		-	-	-	1,134	1,134
<b>Balance as of 31 December 2004</b>		<b>118,040</b>	<b>95</b>	<b>3,155</b>	<b>(16,998)</b>	<b>104,292</b>
Capital increase	27	66,868	-	-	-	66,868
Contributions to cover retained losses	27	-	-	-	18,132	18,132
Transfers to obligatory reserves		-	-	57	(57)	-
Profit for the year		-	-	-	8,737	8,737
<b>Balance as of 31 December 2005</b>		<b>184,908</b>	<b>95</b>	<b>3,212</b>	<b>9,814</b>	<b>198,029</b>

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

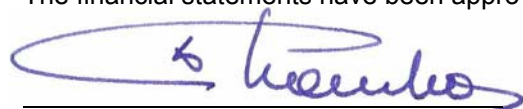
**CASH FLOWS STATEMENTS**

	Note	The Bank		The Group	
		2005	2004	2005	2004
<b>Operating activities</b>					
Interest income		87,947	38,418	97,687	45,193
Interest expenses		(41,053)	(14,439)	(45,737)	(17,434)
Fees and commission income		9,002	7,506	9,029	8,166
Fees and commission expenses		(2,204)	(1,513)	(2,307)	(1,516)
Foreign exchange operations		4,714	1,818	4,626	1,801
Operations with securities		144	874	144	874
Loan loss recovery income		155	1,093	471	1,093
Salaries and benefits		(17,184)	(12,694)	(18,612)	(13,661)
Other income (expenses)		(18,279)	(14,328)	(15,904)	(11,208)
		<u>23,242</u>	<u>6,735</u>	<u>29,397</u>	<u>13,308</u>
<b>Changes in operating assets and liabilities</b>					
Balances with the Bank of Lithuania		(61,189)	(38,723)	(61,189)	(38,723)
Due from banks and other financial institutions		(238,709)	5,427	(97,738)	(16,047)
Loans to customers and factoring		(1,154,348)	(610,532)	(1,154,348)	(610,532)
Financial lease		-	-	(79,775)	(120,914)
Investments at fair value through profit or loss		(6,636)	(44,774)	(6,636)	(44,774)
Other current assets		(5,008)	1,478	(7,149)	11,789
Amounts owed to credit and financial institutions		896,186	521,551	828,818	657,490
Deposits from public		361,305	137,220	361,305	137,220
Debt securities issued		187,512	-	187,512	-
Other current liabilities		(112)	28	(1,707)	680
		<u>(20,999)</u>	<u>(28,325)</u>	<u>(30,907)</u>	<u>(23,811)</u>
<b>Income tax (paid)</b>		-	-	(198)	(5)
<b>Cash flows from operating activities</b>		<u>2,243</u>	<u>(21,590)</u>	<u>(1,708)</u>	<u>(10,508)</u>
<b>Investing activities</b>					
Intangible assets and property, plant and equipment		(2,271)	(1,385)	1,680	(14,967)
Held to maturity investments		(57,388)	(43,298)	(57,388)	(43,298)
Investment into subsidiary		-	(2,500)	-	-
<b>Cash flows from investing activities</b>		<u>(59,659)</u>	<u>(47,183)</u>	<u>(55,708)</u>	<u>(58,265)</u>
<b>Financing activities</b>					
Subordinated loan		18,176	29,984	18,176	29,984
Capital increase		85,000	30,000	85,000	30,000
<b>Cash flows from financing activities</b>		<u>103,176</u>	<u>59,984</u>	<u>103,176</u>	<u>59,984</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>45,760</u>	<u>(8,789)</u>	<u>45,760</u>	<u>(8,789)</u>
<b>Cash and cash equivalents as of 31 December</b>		<u>84,224</u>	<u>38,464</u>	<u>84,224</u>	<u>38,464</u>
Cash and cash equivalents as of 1 January		38,464	47,253	38,464	47,253
<b>Which could be specified as follows</b>					
Cash		15,355	7,857	15,355	7,857
Current account with the Bank of Lithuania	12	30,944	11,367	30,944	11,367
Current accounts with other banks, gross	13	37,925	19,240	37,925	19,240
		<u>84,224</u>	<u>38,464</u>	<u>84,224</u>	<u>38,464</u>

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

The financial statements were authorized for issue on 26 January 2006.

The financial statements have been approved by the Bank and signed on its behalf by:



Gintautas Galvanauskas  
Chairman of the Board



Nerijus Drobavičius  
Chief accountant

## NOTES TO THE FINANCIAL STATEMENTS OF AB SAMPO BANKAS

### NOTE 1 Background information

AB Sampo Bankas (hereinafter "the Bank") was established on 14 December 1993 as Lithuanian Development Bank. A banking license was received in December 1994. On 15 September 2000 the Bank obtained license to operate as a commercial bank.

As of 31 December 2005 the sole shareholder of AB Sampo Bankas was Sampo Bank Plc. (Finland). Ultimate shareholder of the Bank is Sampo Plc (Finland). For more information refer to Note 27.

As of 31 December 2005 all shares were authorised, subscribed and fully paid.

As of 31 December 2005 AB Sampo Bankas had four branches. The Head office is located at Geležinio Vilko Str. 18A, in Vilnius, Lithuania.

The Bank is engaged in provision of services set forth by the Law on Commercial Banks and deals with deposits, loans, money transfers, documentary settlements, currency exchange, trade finance, asset management, investing activities, brokerage, etc. both to corporate and retail sector

As of 31 December 2005 the Bank had a fully owned subsidiary company UAB Sampo Banko Lizingas (hereinafter "the Subsidiary"), engaged in provision of finance and operating lease services, which is located at Geležinio Vilko Str. 18A, in Vilnius, Lithuania. The Subsidiary provides services to both corporate and retail sector.

The Bank and the Subsidiary further on are referred as the Group.

### NOTE 2 Significant accounting policies

#### ***Basis of presentation***

The accompanying financial statements are presented in the local currency of the Republic of Lithuania, Litas (LTL), which is also Group's functional currency.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (IASC), effective as of 31 December 2005 that have been adopted by European Union.

### **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted those new/ revised standards mandatory for financial years beginning on or after 1 January 2005.

The changes in accounting policies result from adoption of the following new or revised standards:

IFRS 2 "Share-Based Payment";

IFRS 3 "Business Combinations", IAS 36 (revised) "Impairment of Assets" and IAS 38 (revised) "Intangible Assets";

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations";

IAS 1 (revised) "Presentation of Financial Statements";

IAS 2 (revised) "Inventories";

IAS 8 (revised) "Accounting Policies, Changes in Accounting Estimates and Errors";

IAS 10 (revised) "Events after the Balance Sheet Date";

IAS 16 (revised) "Property, Plant and Equipment";

IAS 17 (revised) "Leases";

IAS 24 (revised) "Related Party Disclosures";

IAS 27 (revised) "Consolidated and Separate Financial Statements";

IAS 28 (revised) "Investments in Associates";

IAS 31 (revised) "Interests in Joint Ventures";

IAS 32 (revised) "Financial Instruments: Presentation and Disclosure";

IAS 33 (revised) "Earnings per Share";

IAS 39 (revised) "Financial Instruments: Recognition and Measurement"; and

IAS 40 (revised) "Investment property".

The principle effects of these changes in policies are discussed below.

#### **IAS 17 "Leases"**

Starting from 1 January 2005 revised IAS 17 was applied. Since 1 January 2005 new operating lease criteria are used.

#### **IAS 39 "Financial Instruments: Recognition and Measurement"**

##### *Financial Assets and Liabilities at Fair Value through Profit or Loss*

A new category of financial instruments has been introduced, "Financial assets and liabilities at fair value through profit or loss". This category includes trading financial assets and liabilities as well as any financial assets and liabilities designated into this category at initial recognition. These assets and liabilities are measured at fair value with recognition of gains or losses on re-measurement to fair value in net profit or loss.

**IAS 27 “Consolidated and Separate Financial Statements”**

Starting from 2005 investment into subsidiary company is not longer accounted for under equity method. Retained loss of subsidiary has been reversed to the equity of the Bank so that net book value of investment reached its nominal value of LTL 4,000 thousand. Comparative figures were restated retrospectively in accordance with IAS 8.

The effect of adoption of the new and revised standards on the corresponding figures can be summarised as follows:

	2004 (comparative) figures, the Bank			2004 (comparative) figures, the Group		
	As reported	Restate-ments	Restated	As reported	Restate-ments	Restated
<b>Balance sheet</b>						
<b>Total Shareholders’ equity</b>	<b>104,292</b>	<b>1,261</b>	<b>105,553</b>	<b>104,292</b>	-	<b>104,292</b>
Investment into subsidiary	2,739	1,261	4,000	-	-	-
<b>Income statement</b>						
<b>Net result</b>	<b>1,134</b>	<b>236</b>	<b>1,370</b>	-	-	-
(Loss) on equity investments	(236)	236	-	-	-	-

*IFRSs and IFRIC Interpretations not yet effective*

The Group has not applied the following specific provisions of IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

- IAS 1 (amended 2005) “Presentation of Financial Statements” (Capital Disclosures);
- IAS 19 (amended 2004) “Employee Benefits” (Actuarial Gains and Losses, Group Plans and Disclosures);
- IAS 39 (amended 2005) “Financial Instruments: Recognition and Measurement” (Cash Flow Hedge Accounting of Forecast Intragroup Transactions, Fair Value Option, Insurance Contracts regarding Financial Guarantee Contracts);
- IFRS 6 “Exploration for and Evaluation of Mineral Resources”;
- IFRS 7 “Financial Instruments: Disclosures”;
- IFRIC 4 “Determining whether an Arrangement contains a Lease”;
- IFRIC 5 “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”.

The Group expects that the adoption of the pronouncements listed above will have no significant impact on the Group’s financial statements in the period of initial application, except for IFRS 7 “Financial Instruments: Disclosures”.

*IFRS 7 “Financial instruments: Disclosures” and IAS 1 amendment “Capital Disclosures”*

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the 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 IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity’s capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

### **Consolidation**

The consolidated financial statements include financial results of the Bank and fully owned UAB Sampo Banko Lizingas.

In the consolidated financial statements all inter-company balances and transactions were eliminated. Consolidated financial statements were prepared using the same accounting principles for similar transactions and events.

### **Comparative figures**

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

Following reclassifications were made to conform the presentation of the current year: accrued interest, deferred income and other items, related to specific financial instruments were included in the value of instrument (previously reported separately as other assets/ liabilities). The effect of reclassifications is presented in the table below:

	<b>2004 (comparative) figures, the Bank</b>			<b>2004 (comparative) figures, the Group</b>		
	As reported	Restate- ments	Restated	As reported	Restate- ments	Restated
<b>Balance sheet</b>						
<b>Total assets and liabilities</b>	<b>1,516,952</b>	<b>299</b>	<b>1,517,251</b>	<b>1,775,655</b>	<b>(962)</b>	<b>1,774,693</b>
Loans to customers, net	1,168,494	2,791	1,171,285	1,168,494	2,791	1,171,285
Financial lease receivable, net	-	-	-	257,412	536	257,948
Investments held to maturity	91,437	3,656	95,093	91,437	3,656	95,093
Other assets, net	11,303	(7,409)	3,894	15,442	(7,945)	7,497
Amounts owed to credit and financial institutions	946,210	5,927	952,137	1,193,948	7,427	1,201,375
Deposits from public	397,068	1,161	398,229	397,068	1,161	398,229
Accrued expenses and deferred income	11,678	(8,188)	3,490	15,180	(9,844)	5,492
Current profit tax	-	-	-	-	156	156
Other liabilities and provisions	7,704	(633)	7,071	15,167	(633)	14,534
Subordinated loan	50,000	771	50,771	50,000	771	50,771

Reclassification effect has no impact on financial year 2004 profit of the Bank and the Group, only the carrying amounts of respective financial instruments as of 31 December 2004.

### **Error corrections**

The Group shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).

### ***Foreign currencies***

Starting from 2 February 2002 LTL is pegged to EUR at the rate of LTL 3.4528 for EUR 1.

Amounts denominated in other currencies than LTL are translated into LTL at the official exchange rate of the Bank of Lithuania prevailing at the date of transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in other currencies than LTL are recognised in the income statement.

Monetary assets and liabilities denominated in other currencies than LTL are revalued to LTL at the rates established by the Bank of Lithuania at the balance sheet date. The official exchange rates of the main currencies, used for the revaluation of balance sheet items as at the year end were as follows (LTL units to currency unit):

	<b>2005.12.31</b>	<b>2004.12.31</b>
EUR	3.4528	3.4528
USD	2.9102	2.5345

### ***Income and expenses recognition***

Interest income and expense are recognized on an accrual basis calculated using the effective interest method. Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loans. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recorded based on the applicable service contracts.

Income from penalty payments is recognised on a cash basis.

### ***Cash and cash equivalents***

Cash, precious metals, current accounts with the Bank of Lithuania and current accounts with other banks due to their high liquidity with maturity up to three months are accounted for as cash and cash equivalents in the cash flow statement.

### ***Intangible Assets***

Intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 1 to 3 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

### ***Property, plant and equipment***

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. Buildings are measured at cost less depreciation and impairment.

Parts of some items of property, plant and equipment may require replacement at regular intervals. Items of property, plant and equipment may also be acquired to make a less frequently recurring replacement. Under the recognition principles of property, plant and equipment, the Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of property, plant and equipment is calculated using the straight-line method, writing off the carrying value of each asset over its estimated useful life, as follows:

Buildings	40 years
Office equipment	2-7 years
Motor vehicles	3-5 years

Leasehold improvements are amortized over the life of the related leased asset. The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Repairs and renewals are charged to the income statement when the expenditure is incurred. Items with a cost value of LTL 3,000 or less are charged directly to the statement of income.

### ***Financial assets***

The Group recognises financial asset on its balance sheet when, and only when, The Group becomes a party to the contractual provisions of the instrument.

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All "regular way" purchases and sales of investments are recognised using settlement date accounting. The settlement date is the date when an asset is delivered to or by the Group. Settlement day refers to the recognition of an asset on the day it is transferred to the Group and to the derecognition of an asset, on the day that it is transferred by the Group. All other purchases or sales are recognised as derivative instruments until settlement occurs.

#### Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Such assets are initially accounted for at acquisition cost and are subsequently revalued at the fair value, which is market price. Related profit or loss on revaluation is charged directly to the income statement. Interest and dividends on such investments are recognised as interest income and dividend income respectively.

### Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in income statement when the investments are derecognised or impaired, as well as through the amortisation process.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and advances are recognised at their settlement date. From the date of signing a contractual agreement till the settlement date they are accounted for as off balance sheet items.

Loan agreements foresee the possibility of repayment before the maturity date. The management of the Group cannot estimate how often or when clients would use such an option and therefore impact of such repayment, if any, was not reflected in the financial statements of the Group.

### *Non-performing loans*

Loans are treated as non-performing when loan principal or interest payable is overdue for 90 and more days.

### *Write-offs*

When the loans and advances cannot be recovered, they are written-off and charged against impairment for possible credit losses. The management of the Group makes the decision on writing-off loans. Recoveries of loans previously written-off are credited to the income statement.

### *Factoring*

A factoring transaction is a funding transaction wherein the Group finances its customers through buying their claims. Companies alienate rights to invoices due at a future date to the Group. Factoring transactions comprise factoring transactions with a right to recourse (the Group is entitled to selling the overdue claim back to the customer) and factoring transactions without a right to recourse (the Group is not entitled to selling the overdue claim back to the customer). The factor's revenue comprises the lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest income depending on the duration of the payment term set by the purchaser.

The factoring balance includes the aggregate amount of factored invoices outstanding as of the reporting date and all amounts accrued for the unpaid amount.

### Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same and discounted cash flow analysis.

### ***Derecognition of financial assets and liabilities***

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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### ***Offsetting***

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### ***Hedge accounting***

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to hedges (fair value and cash flow hedges), which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognised immediately in the income statement and the part of effective cash flow hedge is accounted for in equity. The hedged item is adjusted for fair value changes relating to the risk being hedged and the difference is recognised in the income statement. Where the adjustment relates to a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement on a systematic basis so that it is fully amortised by its maturity date.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

### ***Impairment of financial assets***

If there is objective evidence that an impairment loss on loans and receivables 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. Future cash flows consists of any proceeds received, including, but not limiting to, any payments received, realisation of collateral and other payments. Present value of future cash flows is estimated using discount factor, which covers both: cash flow assessment and effective interest rate. The carrying amount of the asset is reduced through use of an impairment account. The amount of the loss is recognised in income statement.

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 it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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, 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. Any subsequent reversal of an impairment loss is recognised in the statement of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Estimated losses from guarantees issued and loan commitments as of the balance sheet date are calculated using similar methods. Estimated losses from guarantees issued and loan commitments are reported under "Provisions".

### ***Impairment of other assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation (if any), had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge (if any) is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### ***Fair values of financial assets and liabilities***

For financial instruments traded in organised financial markets the fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of interest-bearing financial instruments is estimated based on discounted cash flows using the interest rates for items with similar terms and risk characteristics. For unquoted equity investments fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. Where the fair values of financial assets and liabilities differ materially from their book values, such fair values are separately disclosed in the notes to the financial statements.

### ***Leases***

#### **Finance – Group as lessee**

The Group recognizes finance leases as assets and liabilities in the balance sheet at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The costs identified as directly attributable to activities performed by the lessee for a finance lease, are included as part of the amount recognised as an asset under the lease.

#### Finance – Group as lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

#### Operating – Group as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term and included into other administrative and operating expenses.

#### Operating – Group as lessor

The Group presents assets subject to operating leases in the balance sheets according to the nature of the asset. Lease income from operating leases is recognized in statement of income on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

The depreciation policy for depreciable leased assets is consistent with the lessor's normal depreciation policy for similar assets, and depreciation is calculated in accordance with accounting policies, used for the Group's property, plant and equipment.

#### ***Borrowings***

The Group recognises financial liability on its balance sheet when, and only when, the Group becomes a party to the contractual provisions of the instrument.

In the balance sheet borrowings are recognised initially at cost amounting to their issue proceeds net of transaction costs. Subsequently borrowings stated at amortised cost and any difference between net proceeds and value at redemption is recognised in the income statement over the period of borrowings using the effective interest rate.

#### ***Share capital***

Share capital is shown in the balance sheet at the amount subscribed.

#### ***Income tax***

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

In 2005 and 2004 the standard income tax rate in Lithuania was 15%. On 1 January 2006 the Provisional Social Tax Law came into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax, for one financial year beginning on 1 January 2006 companies will have to pay an additional 4% tax calculated based on the income tax principles, and one financial year beginning on 1 January 2007 – 3% tax. After the year 2007 m. the income tax applied to the companies in the Republic of Lithuania will be standard, i.e. 15%.

Tax losses can be carried forward for 5 consecutive years, except for the losses incurred as a result of disposal of securities and / or derivative financial instruments that can be carried forward for 3 consecutive years. The losses from disposal of securities and or derivative financial instruments can be only used to reduce the taxable income earned from the transactions of the same nature.

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Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reverse based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets have been recognised in the balance sheet to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognized in the financial statements.

### ***Derivative financial instruments***

Derivative financial instruments are initially recognised at cost. Subsequently to initial recognition derivative instruments are stated at their fair values. Fair value is derived from quoted market prices or using the discounted cash flow method applying effective interest rate. All derivative instruments are accounted for as an asset, when their value is positive and as a liability, when their value is negative.

Changes in the fair value of derivative instruments held for trading purposes and held for fair value hedging purposes are recognised in the income statement.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains and losses reported in income. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

### ***Off-balance sheet items***

Off-balance sheet transactions are normally marked to market at the reporting date and any arising profit or loss is recognised in the income statement for the period and treated as an asset or liability in the balance sheet respectively.

All liabilities that give rise to balance sheet exposures are accounted for as off balance sheet liabilities. This allows the bank to assess capital requirement and to allocate funds required to cover those obligations.

### ***Credit-related commitments***

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

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow or recourse embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement. If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

#### Provisions made to guarantees and stand-by facilities.

The amount of the loss is recognized when it is probable that the Group will recognize an outflow of economic benefit that can be reliably estimated and represents a present legal or constructive obligation.

### **Contingencies**

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

### **Use of estimates in the preparation of financial statements**

The preparation of financial statements in conformity with International Financial Reporting Standards, as published by the International Accounting Standards Board, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation and evaluation of impairment for loan losses, provisions for loan commitments and stand-by facilities.

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

The Group regularly reviews its loans and receivables to assess impairment. The Group uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the 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 group of loans and receivables when scheduling its future cash flows. The Group uses its experienced judgement to adjust observable data for a group of loans or receivables to reflect current circumstances. 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.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

### **Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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***Subsequent events***

Post-year-end events that provide additional information about the Bank's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

**NOTE 3 Net interest income**

	<b>The Bank</b>		<b>The Group</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Interest income</b>				
on placements with central bank	212	-	212	-
on loans and placements with credit and financial institutions	6,425	1,245	1,930	309
on loans to customers	72,308	37,801	72,308	37,801
on impaired loans to customers*	1,303	N/A	1,303	N/A
on investments at fair value through profit or loss	2,165	1,569	2,165	1,569
on held to maturity investments	3,933	2,164	3,933	2,164
on financial lease	-	-	12,754	8,018
	<u>86,346</u>	<u>42,779</u>	<u>94,605</u>	<u>49,861</u>
<b>Interest expenses</b>				
on liabilities to and placements from credit and financial institutions	(27,359)	(11,950)	(32,043)	(15,769)
on subordinated loans	(1,746)	(1,247)	(1,746)	(1,247)
on deposits and other repayable amounts	(11,341)	(4,962)	(11,341)	(4,962)
on debt securities issued	(607)	-	(607)	-
	<u>(41,053)</u>	<u>(18,159)</u>	<u>(45,737)</u>	<u>(21,978)</u>
<b>Net interest income</b>	<b><u>45,293</u></b>	<b><u>24,620</u></b>	<b><u>48,868</u></b>	<b><u>27,883</u></b>

\* Comparative figures of 2004 are not presented as it required undue cost and effort.

**NOTE 4 Net fee and commission income**

	<b>The Bank</b>		<b>The Group</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Fee and commission income</b>				
Payments	3,482	1,976	3,452	1,940
Payment and credit cards	1,258	585	1,258	585
Operations with securities	524	355	524	355
Currency exchange	1,136	579	1,136	579
Cash operations	1,332	645	1,332	645
Document processing	593	2,066	591	2,066
Other	677	440	736	508
	<u>9,002</u>	<u>6,646</u>	<u>9,029</u>	<u>6,678</u>
<b>Fee and commission expenses</b>				
Payments	(256)	(162)	(256)	(162)
Payment and credit cards	(1,728)	(920)	(1,728)	(920)
Operations with securities	(112)	(50)	(112)	(50)
Currency exchange	(45)	(7)	(45)	(7)
Other	(63)	(374)	(166)	(377)
	<u>(2,204)</u>	<u>(1,513)</u>	<u>(2,307)</u>	<u>(1,516)</u>
<b>Net fee and commission income</b>	<b><u>6,798</u></b>	<b><u>5,133</u></b>	<b><u>6,722</u></b>	<b><u>5,162</u></b>

**NOTE 5 Impairment for loan losses**

**Change in impairment for loan losses**

	Note	The Bank		The Group	
		2005	2004	2005	2004
Impairment as of 1 January		(6,903)	(7,143)	(8,533)	(8,006)
Impairment losses		(5,186)	(1,277)	(5,074)	(2,044)
Loans, written off		284	1,512	314	1,512
FX impact		(32)	5	(32)	5
<b>Impairment as of 31 December</b>		<b>(11,837)</b>	<b>(6,903)</b>	<b>(13,325)</b>	<b>(8,533)</b>
<b>Which consist of:</b>					
Loan impairment		(11,837)	(6,903)	(11,837)	(6,903)
Finance lease impairment	15	-	-	(1,488)	(1,630)
		<b>(11,837)</b>	<b>(6,903)</b>	<b>(13,325)</b>	<b>(8,533)</b>

The total amount of non-performing loans amounted to LTL 1,931 thousand, non-performing finance lease amounted to LTL 4,285 thousand as of 31 December 2005 (LTL 774 thousand and LTL 811 thousand as of 31 December 2004 respectively).

**Other impairment expenses**

	Note	The Bank		The Group	
		2005	2004	2005	2004
Impairment for repossessed assets		520	100	520	100
Impairment for other assets		(9)	2	(9)	2
Impairment for financial institutions		3	(3)	3	(3)
Provisions for off-balance sheet items	24	(215)	(449)	(216)	(449)
<b>Other impairment expenses, net</b>		<b>299</b>	<b>(350)</b>	<b>298</b>	<b>(350)</b>

**NOTE 6 Net income (loss) on trading securities**

	The Bank		The Group	
	2005	2004	2005	2004
Trading result	144	874	144	874
Reprising effect	(323)	224	(323)	224
<b>Net income on securities' operations</b>	<b>(179)</b>	<b>1,098</b>	<b>(179)</b>	<b>1,098</b>

**NOTE 7 Net foreign exchange gain**

	<b>The Bank</b>		<b>The Group</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Realised gain (loss)				
Gain on foreign exchange trading	11,263	4,718	11,263	4,718
(Loss) on foreign exchange trading	(6,549)	(2,900)	(6,637)	(2,917)
	<u>4,714</u>	<u>1,818</u>	<u>4,626</u>	<u>1,801</u>
Unrealised gain (loss)				
Balance sheet revaluation, net	2,450	(587)	2,450	(587)
Off balance sheet revaluation, net	(4,838)	155	(4,838)	155
	<u>(2,388)</u>	<u>(432)</u>	<u>(2,388)</u>	<u>(432)</u>
<b>Net foreign exchange gain</b>	<b><u>2,326</u></b>	<b><u>1,386</u></b>	<b><u>2,238</u></b>	<b><u>1,369</u></b>

**NOTE 8 Other income**

	<b>The Bank</b>		<b>The Group</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Income from operating lease	-	-	4,683	3,724
Other income	763	1,027	276	917
<b>Other income</b>	<b><u>763</u></b>	<b><u>1,027</u></b>	<b><u>4,959</u></b>	<b><u>4,641</u></b>

**NOTE 9 Salaries and benefits**

	<b>The Bank</b>		<b>The Group</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Salaries and wages	14,363	11,220	15,493	11,985
Social security expenses	4,468	3,484	4,830	3,722
<b>Salaries and benefits</b>	<b><u>18,831</u></b>	<b><u>14,704</u></b>	<b><u>20,323</u></b>	<b><u>15,707</u></b>
Number of employees (actual as of 31 December)	320	218	349	241

**NOTE 10 Other operating expenses**

	<b>The Bank</b>		<b>The Group</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Office equipment maintenance	4,018	2,606	2,822	1,464
Taxes, other than income tax	2,982	2,382	3,506	2,942
Advertising and marketing	2,164	1,933	2,573	2,274
Deposit insurance *	2,998	1,402	2,998	1,402
Professional services	2,329	1,399	2,842	1,776
Transport and communications	1,701	1,283	1,534	1,167
Business trips and training	801	417	846	428
Representation expenses	530	244	699	269
Credit insurance	-	30	-	30
Maintenance of assets held for operating lease	-	-	329	505
Other	724	543	1,019	738
<b>Operating expenses</b>	<b>18,247</b>	<b>12,239</b>	<b>19,168</b>	<b>12,995</b>

\* As set forth by the Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit-guarantee schemes, each Member State shall ensure that within its territory one or more deposit-guarantee schemes are introduced and officially recognized. The above-mentioned scheme is employed by state company "Deposit and Investment Insurance" in Lithuania.

**NOTE 11 Income tax**

	Note	The Bank		The Group	
		2005	2004	2005	2004
Net profit (loss) before income tax		8,233	1,370	8,899	1,290
Changes in temporary differences		1,089	(131)	897	636
Changes in tax treatment of temporary differences		-	354	-	354
Permanent differences		(7,148)	(3,219)	(6,539)	(2,864)
Loss carry forward		(2,174)	-	(2,174)	-
Taxable result for the year		-	(1,626)	1,083	(584)
Current income tax		-	-	162	156
Change in deferred income tax		-	-	-	-
Income tax expenses		-	-	162	156

**Components of deferred income tax**

Deferred income tax assets					
Social security of vacation reserve and accrued bonus		537	280	543	279
Amortisation of compensated guarantee		20	-	20	-
Lease portfolio impairment		-	-	283	245
Tax loss carry forward					
Loss carry forward to 2006		1,486	1,498	1,486	1,498
Loss carry forward to 2007		924	730	924	730
Loss carry forward to 2008		109	86	109	86
Loss carry forward to 2009		309	244	309	244
Deferred income tax assets before valuation allowance		3,385	2,838	3,674	3,082
Less: valuation allowance		(3,379)	(2,831)	(3,652)	(3,075)
Deferred income tax assets, net		6	7	22	7

	Note	The Bank		The Group	
		2005	2004	2005	2004
Deferred income tax liabilities					
Tax effect of lease reclassification	2	-	-	(16)	-
Investment incentive		(6)	(7)	(6)	(7)
Deferred income tax liabilities		(6)	(7)	(22)	(7)
<b>Deferred income tax, net</b>		-	-	-	-

The Bank has incurred taxable loss in previous periods, which can be carried forward for 5 consecutive years, except for the losses incurred as a result of disposal of securities and / or derivative financial instruments that can be carried forward for 3 consecutive years and offset against future taxable income. The management of the Bank does not expect to realise deferred tax asset in the nearest future and, therefore, decided to make 100 per cent realisation allowance for it.

**NOTE 11 Income tax (cont'd)**

Income tax expenses, applicable to the current year result, can be reconciled with income tax expenses calculated using statutory income tax rate for the pretax income as follows:

	Note	The Bank		The Bank	
		2005	2004	2005	2004
Income tax calculated at statutory 15% tax rate		1,235	206	1,335	194
Permanent differences		(1,072)	(484)	(981)	(430)
Change in valuation allowance		548	225	577	339
Change in tax treatment of temporary differences		-	53	-	53
Effect of changes in tax rate	2	(711)	-	(769)	-
<b>Total income tax</b>		<b>-</b>	<b>-</b>	<b>162</b>	<b>156</b>

**NOTE 12 Balances with the Bank of Lithuania**

	The Bank		The Group	
	2005	2004	2005	2004
Obligatory reserves	131,925	70,736	131,925	70,736
Current account	30,944	11,367	30,944	11,367
<b>Balances with the Bank of Lithuania</b>	<b>162,869</b>	<b>82,103</b>	<b>162,869</b>	<b>82,103</b>

Obligatory reserves were held as non-interest bearing deposits at the Bank of Lithuania until 24 September 2005. Starting from the above-mentioned date the portion of obligatory reserve calculated in accordance with requirements of European Central Bank is held as interest bearing deposits and the remaining portion of obligatory reserve is held as non-interest bearing deposit. Interest bearing part as of 31 December 2005 amounted to 1/3 of all obligatory reserves. Interest rate for interest bearing part equals to ECB refinance rate, valid on the day of transaction.

**NOTE 13 Due from banks and other financial institutions**

	<b>The Bank</b>		<b>The Group</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Current accounts and deposits</b>				
Current accounts with banks, net of impairment	14,840	7,712	14,840	7,712
Overnight deposits	23,085	11,526	23,085	11,526
Term deposits with banks	90,085	994	90,085	994
	<u>128,010</u>	<u>20,232</u>	<u>128,010</u>	<u>20,232</u>
<b>Loans</b>				
Loans, falling due within one year	193,528	43,971	30,244	21,597
Loans, falling due after one year	61	-	-	-
	<u>193,589</u>	<u>43,971</u>	<u>30,244</u>	<u>21,597</u>
<b>Total due from banks</b>	<b><u>321,599</u></b>	<b><u>64,203</u></b>	<b><u>158,254</u></b>	<b><u>41,829</u></b>
<b>Of which non – residents' exposures</b>				
Current accounts	12,312	7,240	12,312	7,240
Overnight deposits	20,085	6,590	20,085	6,590
Term deposits	67,291	976	67,291	976
<b>Total non – resident exposures in due from banks</b>	<b><u>99,688</u></b>	<b><u>14,806</u></b>	<b><u>99,688</u></b>	<b><u>14,806</u></b>

As of 31 December 2005 the bank issued loans to UAB Sampo Banko Lizingas amounting to LTL 163,345 thousand (LTL 22,374 thousand as of 31 December 2004).

As of 31 December 2005 the Bank has entered into reverse repurchase agreement amounting to LTL 30,244 thousand (LTL 21,296 thousand as of 31 December 2004). The Bank has the possibility to trade underlying securities in absence of clients' default with the obligation to sell such securities back at the maturity date. In case of clients' default underlying securities remains with the Bank. Fair value of the securities pledged approximated to their book value as of both of the above dates.

**NOTE 14 Loans to customers, net**

	<b>Note</b>	<b>The Bank</b>		<b>The Group</b>	
		<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Loans to customers</b>					
Falling due within one year		402,142	249,988	402,142	249,988
Falling due after one year		1,919,122	921,297	1,919,122	921,297
<b>Total loans to customers</b>	<b>30</b>	<b><u>2,321,264</u></b>	<b><u>1,171,285</u></b>	<b><u>2,321,264</u></b>	<b><u>1,171,285</u></b>
<b>Of which loans to non-residents</b>					
Loans to private individuals		9,603	3,317	9,602	3,317

**NOTE 14 Loans to customers, net (cont'd)**

The table below represents breakdown of loan portfolio to actual payable of the customer and accrued and/ or impaired amounts:

	<b>The Bank</b>	
	<b>2005</b>	<b>2004</b>
Unpaid principal	2,331,862	1,175,348
Accrued and unpaid interest	5,273	3,169
Deferred income	(4,034)	(329)
Impairment loss, assessed individually	(7,770)	(3,002)
Impairment loss, assessed collectively	(4,067)	(3,901)
<b>Loans to customers, net</b>	<b><u>2,321,264</u></b>	<b><u>1,171,285</u></b>

The management of the Bank monitors loan portfolio and investigates market trends so that it could make necessary changes in impairment estimation if required. Having more information available management of the Bank may change assumptions underlying impairment assessment, which would result in change of impairment allowance.

The table below represents breakdown of collateral accepted by the type of the asset:

	<b>The Bank, 2005</b>			
	Loans to private individuals	Loans to corporate clients	Guarantees and letters of credit	Total
<b>Type of collateral</b>				
Dwelling house	1,192,036	224,004	94	1,416,134
Commercial real estate	32,741	419,932	1,508	454,181
Other real estate	402,697	738,746	7,193	1,148,636
Vehicles	-	46,809	123	46,932
Equipment	21	109,492	565	110,078
Cash and deposits	4,305	7,814	1,131	13,250
Credit insurance	74,662	37,976	-	112,638
Guarantees	-	10,576	-	10,576
Other collaterals	4,485	284,490	1,184	290,159
<b>Total value of collaterals</b>	<b><u>1,710,947</u></b>	<b><u>1,879,839</u></b>	<b><u>11,798</u></b>	<b><u>3,602,584</u></b>
Loans to customers, net	1,119,110	1,202,154	-	2,321,264
Off-balance sheet exposure	-	-	1,620	1,620
<b>Exposure to collateral ratio, 2005</b>	<b><u>65%</u></b>	<b><u>64%</u></b>	<b><u>14%</u></b>	<b><u>64%</u></b>
Exposure to collateral ratio, 2004	68%	56%	37%	61%

**NOTE 14 Loans to customers, net (cont'd)**

	<b>The Bank</b>	
	<b>2005</b>	<b>2004</b>
Agriculture and fishery	41,711	18,255
Processing industry	229,606	137,793
Utilities	41,026	24,854
Construction	123,835	55,709
Trade and wholesale distribution	224,043	95,144
Hotels and restaurants	62,573	14,165
Transportation & telecommunication	70,003	32,780
Real estate	268,577	193,747
Mortgage	967,479	471,979
Other private individuals	151,631	60,181
Other corporate lending	140,780	66,678
<b>Loans to customers, net</b>	<b><u>2,321,264</u></b>	<b><u>1,171,285</u></b>

**NOTE 15 Financial lease receivables, net**

<b>Maturity profile</b>	<b>2005</b>		<b>2004</b>		
	<b>Note</b>	Portfolio	Unearned lease income	Portfolio	Unearned lease income
Falling due within one year		94,691	12,511	73,208	9,344
Falling due from one to five years		196,493	19,842	165,403	14,774
Falling due after five years		45,170	4,483	19,337	2,068
<b>Finance lease receivable, net</b>	<b>30</b>	<b><u>336,354</u></b>	<b><u>36,836</u></b>	<b><u>257,948</u></b>	<b><u>26,186</u></b>
Of which finance lease to non-residents		448	N/A	-	-

Below table represents breakdown of financial lease portfolio to actual payable of the customer and accrued and/ or impaired amounts

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
Unpaid principal	338,787	259,042
Accrued and unpaid interest	626	536
Deferred income*	(1,571)	-
Impairment loss	(1,488)	(1,630)
<b>Loans to customers, net</b>	<b><u>336,354</u></b>	<b><u>257,948</u></b>

\*The deferred income, representing deferred administration fee for the lease agreements signed, was not reclassified in comparative year 2004 figures (from accrued expenses and deferred income caption) as it required undue cost and effort.

**NOTE 15 Financial lease receivables, net (cont'd)**

Lease portfolio impairment decreased in 2005 with total recovery amount of LTL 112 thousand. Finance lease receivable amounting to LTL 30 thousand was written off in 2005.

**Asset profile**

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
Industrial equipment	91,931	63,098
Vehicles	58,144	53,311
Real estate	73,934	51,602
Trucks and trailers	47,363	48,063
Buses	24,893	12,373
Vessels	21,179	14,134
Computers & office equipment	4,615	5,833
Cranes	6,451	4,612
Railway tanks	4,471	1,814
Agricultural machines & equipment	1,013	1,275
Medical equipment	993	1,043
Other	1,367	790
<b>Finance lease receivable, net</b>	<b>336,354</b>	<b>257,948</b>

**NOTE 16 Investments**

***Investment into Subsidiary***

The share capital of UAB Sampo Banko Lizingas amounted to LTL 4,000 thousand as of 31 December 2005 (LTL 4,000 thousand as of 31 December 2004). Total value of UAB Sampo Banko Lizingas shareholder's equity was LTL 3,243 thousand as of 31 December 2005 (LTL 2,739 thousand as of 31 December 2004).

Starting from 2005 investment into subsidiary company is not longer accounted for under equity method. Retained loss of subsidiary has been reversed to the equity of the Bank so that net book value of investment reached its nominal value of LTL 4,000 thousand as of 31 December 2005. Comparative figures were restated retrospectively in accordance with IAS 8.

The subsidiary is engaged in leasing activities, financed by loans received from the Bank and Sampo Bank Plc. As of 31 December 2005 the Subsidiary has signed 3,944 finance lease contracts with the net value of the finance lease portfolio being LTL 336,354 thousand (2,670 contracts and LTL 257,948 thousand portfolio as of 31 December 2004). As of 31 December 2005 the Subsidiary has also signed 216 operating lease contracts for property, plant and equipment leased to third parties (506 contracts as of 31 December 2004).

No other subsidiary companies were established or acquired in 2005.

**NOTE 16 Investments (cont'd)**

***Other investments***

Breakdown of investments into securities as of 31 December 2005 and 2004 is presented in the table below.

	<b>The Bank</b>		<b>The Group</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Investments at fair value through profit or loss*</b>				
Treasury bonds	72,443	65,331	72,443	65,331
Other debt securities	15,364	16,299	15,364	16,299
Equity securities	136	-	136	-
	<b>87,943</b>	<b>81,630</b>	<b>87,943</b>	<b>81,630</b>
<b>Held to maturity investments</b>				
Treasury bonds	152,480	90,121	152,480	90,121
Other debt securities	-	4,972	-	4,972
Equity securities	1	-	1	-
	<b>152,481</b>	<b>95,093</b>	<b>152,481</b>	<b>95,093</b>
<b>Of which investments to non-residents</b>				
Debt securities issued by non-residents	1,222	9,692	1,222	9,692

\* All investments at fair value through profit or loss of the Group are designated as held for trading investments.

Initial yields and maturities of these securities are as follows:

	<b>2005</b>		<b>2004</b>	
	<b>Yield</b>	<b>Maturity</b>	<b>Yield</b>	<b>Maturity</b>
<b>Investments at fair value through profit or loss</b>				
Treasury bonds	2.1 - 5.7%	2006.01 - 2009.07	2.1 - 5.7%	2005.02 - 2009.07
Other debt securities	2.5 - 3.4%	2006.03 - 2008.02	2.7 - 3.2%	2005.03 - 2007.07
<b>Held-to-maturity investments</b>				
Treasury bonds	2.2 - 3.8%	2006.01 - 2012.05	2.4 - 3.8%	2005.02 - 2008.02
Other debt securities	-	-	2.5 - 2.8%	2005.01 - 2005.05

**NOTE 17 Intangible assets**

	<b>The Bank, 2005</b>		
	<b>IT software</b>	<b>Licences</b>	<b>Total</b>
<b>Cost value</b>			
Balance as of 31 December 2004	1,127	1,948	3,075
Additions	278	660	938
Disposals	(4)	-	(4)
<b>Balance as of 31 December 2005</b>	<b>1,401</b>	<b>2,608</b>	<b>4,009</b>
<b>Accumulated amortisation</b>			
Balance as of 31 December 2004	(436)	(1,213)	(1,649)
Charge for the year	(377)	(464)	(841)
Disposals	4	-	4
<b>Balance as of 31 December 2005</b>	<b>(809)</b>	<b>(1,677)</b>	<b>(2,486)</b>
<b>Net book value as of 31 December 2005</b>	<b>592</b>	<b>931</b>	<b>1,523</b>
Net book value as of 31 December 2004	691	735	1,426
	<b>The Bank, 2004</b>		
	<b>IT software</b>	<b>Licences</b>	<b>Total</b>
<b>Cost value</b>			
Balance as of 31 December 2003	610	1,478	2,088
Additions	517	470	987
Disposals	-	-	-
<b>Balance as of 31 December 2004</b>	<b>1,127</b>	<b>1,948</b>	<b>3,075</b>
<b>Accumulated amortisation</b>			
Balance as of 31 December 2003	(180)	(870)	(1,050)
Charge for the year	(256)	(343)	(599)
Disposals	-	-	-
<b>Balance as of 31 December 2004</b>	<b>(436)</b>	<b>(1,213)</b>	<b>(1,649)</b>
<b>Net book value as of 31 December 2004</b>	<b>691</b>	<b>735</b>	<b>1,426</b>
Net book value as of 31 December 2003	430	608	1,038



**NOTE 18 Property, plant and equipment**

	<b>The Bank, 2005</b>			
	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost value</b>				
Balance as of 31 December 2004	7,259	115	936	8,310
Additions	79	-	1,255	1,334
Disposals	-	(1)	(114)	(115)
<b>Balance as of 31 December 2005</b>	<b>7,338</b>	<b>114</b>	<b>2,077</b>	<b>9,529</b>
<b>Accumulated depreciation</b>				
Balance as of 31 December 2004	(1,766)	(114)	(670)	(2,550)
Charge for the year	(505)	(1)	(210)	(716)
Disposals	-	1	113	114
<b>Balance as of 31 December 2005</b>	<b>(2,271)</b>	<b>(114)</b>	<b>(767)</b>	<b>(3,152)</b>
<b>Net book value as of 31 December 2005</b>	<b>5,067</b>	<b>-</b>	<b>1,310</b>	<b>6,377</b>
Net book value as of 31 December 2004	5,493	1	266	5,760
	<b>The Bank, 2004</b>			
	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost value</b>				
Balance as of 31 December 2003	6,975	116	835	7,926
Additions	417	-	101	518
Disposals	(133)	(1)	-	(134)
<b>Balance as of 31 December 2004</b>	<b>7,259</b>	<b>115</b>	<b>936</b>	<b>8,310</b>
<b>Accumulated depreciation</b>				
Balance as of 31 December 2003	(1,330)	(102)	(558)	(1,990)
Charge for the year	(449)	(13)	(112)	(574)
Disposals	13	1	-	14
<b>Balance as of 31 December 2004</b>	<b>(1,766)</b>	<b>(114)</b>	<b>(670)</b>	<b>(2,550)</b>
<b>Net book value as of 31 December 2004</b>	<b>5,493</b>	<b>1</b>	<b>266</b>	<b>5,760</b>
Net book value as of 31 December 2003	5,645	14	277	5,936

**NOTE 18 Property, plant and equipment (cont'd)**

	<b>The Group, 2005</b>			
	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost value</b>				
Balance as of 31 December 2004	7,259	20,437	9,590	37,286
Additions	79	1,393	1,492	2,964
Disposals	-	(5,013)	(2,387)	(7,400)
<b>Balance as of 31 December 2005</b>	<b>7,338</b>	<b>16,817</b>	<b>8,695</b>	<b>32,850</b>
<b>Accumulated depreciation</b>				
Balance as of 31 December 2004	(1,766)	(3,891)	(3,625)	(9,282)
Charge for the year	(505)	(3,034)	(1,841)	(5,380)
Disposals	-	1,977	1,668	3,645
<b>Balance as of 31 December 2005</b>	<b>(2,271)</b>	<b>(4,948)</b>	<b>(3,798)</b>	<b>(11,017)</b>
<b>Net book value as of 31 December 2005</b>	<b>5,067</b>	<b>11,869</b>	<b>4,897</b>	<b>21,833</b>
Net book value as of 31 December 2004	5,493	16,546	5,965	28,004

	<b>The Group, 2004</b>			
	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost value</b>				
Balance as of 31 December 2003	6,975	12,507	6,500	25,982
Additions	417	9,494	3,125	13,036
Disposals	(133)	(1,564)	(35)	(1,732)
<b>Balance as of 31 December 2004</b>	<b>7,259</b>	<b>20,437</b>	<b>9,590</b>	<b>37,286</b>
<b>Accumulated depreciation</b>				
Balance as of 31 December 2003	(1,330)	(1,737)	(1,942)	(5,009)
Charge for the year	(449)	(2,649)	(1,707)	(4,805)
Disposals	13	495	24	532
<b>Balance as of 31 December 2004</b>	<b>(1,766)</b>	<b>(3,891)</b>	<b>(3,625)</b>	<b>(9,282)</b>
<b>Net book value as of 31 December 2004</b>	<b>5,493</b>	<b>16,546</b>	<b>5,965</b>	<b>28,004</b>
Net book value as of 31 December 2003	5,645	10,770	4,558	20,973

Depreciation expenses were included in the income statement as operating expenses.

As of 31 December 2005 property plant and equipment of the Group included vehicles and computer equipment with a net book value of LTL 13,537 thousand (cost value LTL 20,532 thousand) that were leased out to customers under operating lease agreements (LTL 16,117 thousand and LTL 19,952 thousand respectively as of 31 December 2004). The table below provides information of minimum lease payments from operational lease.

	<b>Minimum lease payments</b>	
	<b>2005</b>	<b>2004</b>
Falling due within one year	8,496	6,458
Falling due from one to five years	5,400	8,129
Falling due after five years	-	-
<b>Unearned income, total</b>	<b>13,896</b>	<b>14,587</b>

**NOTE 19 Other assets, net**

	Note	The Bank		The Group	
		2005	2004	2005	2004
Accrued income		58	122	336	121
Receivable from EU for lending program development*		2,130	1,871	2,130	1,871
Reposessed assets		320	467	347	673
Deferred expenses		765	557	1,180	921
Receivable for services provided		181	682	153	152
Prepayments		110	50	110	50
Derivative instruments	35	14	39	14	39
Assets to be leased		-	-	4,070	2,140
Receivable under operating lease agreements		-	-	1,198	643
Advances		-	-	2	631
Transit accounts**		851	43	851	43
Other assets		236	63	339	213
<b>Other assets, net</b>		<b>4,665</b>	<b>3,894</b>	<b>10,730</b>	<b>7,497</b>

**Of which assets related to non-residents**

Receivables from non-residents	2,542	2,370	2,545	2,370
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\* The Bank participates in lending to target sectors program and receives specific incentives for successful employment of funds received under those programs.

\*\* Transit accounts represent funds that were disbursed from the correspondent account of the Bank, but that have not been written off from customers' accounts as of the reporting date.

**NOTE 20 Amounts owed to credit and financial institutions**

	Note	The Bank		The Group	
		2005	2004	2005	2004
<b>Current liabilities</b>					
Current accounts		1,418	775	1,418	775
Overnight deposits		35,205	53,337	35,205	53,337
Demand deposits		24,192	17,008	24,192	16,625
		60,815	71,120	60,815	70,737
<b>Term deposits</b>					
Falling due within one year		1,588,868	759,032	1,588,868	759,032
Falling due after one year		40	1,940	40	1,940
		1,588,908	760,972	1,588,908	760,972
<b>Long term borrowings</b>					
Falling due within one year		29,539	16,713	211,409	266,278
Falling due after one year		169,577	103,332	169,577	103,388
		199,116	120,045	380,986	369,666
<b>Amounts owed to credit and financial institutions</b>		<b>1,848,839</b>	<b>952,137</b>	<b>2,030,709</b>	<b>1,201,375</b>
<b>Of which amounts owed to non-residents</b>					
Current liabilities		7,121	18,042	7,121	18,042
Term deposits		1,529,370	710,022	1,529,370	710,022
Long term borrowings		199,116	120,045	380,986	369,666
<b>Total due to non resident financial institutions</b>		<b>1,735,607</b>	<b>848,109</b>	<b>1,917,477</b>	<b>1,097,730</b>

**NOTE 21 Deposits from the public**

	Note	The Bank		The Group	
		2005	2004	2005	2004
Current and demand deposits		403,341	187,794	403,341	187,794
Term deposits falling due within one year		321,299	193,175	321,299	193,175
Term deposits falling due after one year		9,510	17,260	9,510	17,260
<b>Deposits from the public</b>	<b>30</b>	<b>734,150</b>	<b>398,229</b>	<b>734,150</b>	<b>398,229</b>
<b>Of which deposits from non-residents</b>					
Current deposits		71,482	23,965	71,482	23,965
Term deposits		4,465	1,313	4,465	1,313
<b>Total deposits from non-residents</b>		<b>75,947</b>	<b>25,278</b>	<b>75,947</b>	<b>25,278</b>

**NOTE 22 Debt securities issued**

As of 31 December 2005 the Bank has issued debt securities. Debt securities are accounted for at amortised cost. As of 31 December 2005 the Bank issued 100,000 debt securities with nominal value of LTL 100 each and 180 debt securities with nominal value of LTL 1,000 thousand each. Maturity and yield of issued debt securities are presented in the table below.

	2005		2004	
	Yield	Maturity	Yield	Maturity
Debt securities (nominal value LTL 1,000 th)	2.89%	2006.01	-	-
Debt securities (nominal value LTL 0.1 th)	2.85%	2006.12	-	-

**NOTE 23 Accrued expenses and deferred income**

	The Bank		The Group	
	2005	2004	2005	2004
Accrued vacation pay	4,263	2,477	4,393	2,543
Deferred income*	309	531	312	1,735
Other liabilities	2,642	482	2,876	1,058
<b>Accrued expenses and deferred income</b>	<b>7,214</b>	<b>3,490</b>	<b>7,581</b>	<b>5,336</b>
<b>Of which accrued expenses to non-residents</b>				
Accrued expenses to non-residents	382	5	382	5

\*The deferred income, representing deferred administration fee for the lease agreements signed, was not reclassified in comparative year 2004 figures (from accrued expenses and deferred income caption) as it required undue cost and effort.

**NOTE 24 Provisions**

Change in provisions	Note	The Bank		The Group	
		2005	2004	2005	2004
Provisions as of 1 January		582	140	582	140
Increase in provisions	5	215	449	216	449
FX impact		6	7	6	7
<b>Provisions as of 31 December</b>		<b>803</b>	<b>582</b>	<b>804</b>	<b>582</b>
<b>Of which</b>					
Provisions for loan commitments		729	494	730	494
Provisions for off-balance sheet products		74	88	74	88
<b>Total provisions as of 31 December</b>		<b>803</b>	<b>582</b>	<b>804</b>	<b>582</b>

**NOTE 25 Other liabilities**

	Note	The Bank		The Group	
		2005	2004	2005	2004
Payable for purchased assets to be leased		-	-	5,955	4,115
Advances received		-	-	1,788	2,296
Transit accounts*		31,517	6,133	31,517	6,133
Derivative instruments	35	2	21	2	21
Other liabilities		306	335	1,472	1,387
<b>Other liabilities and provisions</b>		<b>31,825</b>	<b>6,489</b>	<b>40,734</b>	<b>13,952</b>

**Of which other liabilities to non-residents**

Other liabilities to non-residents		2	1	2,068	1
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\* Transit accounts represent funds that were written from customers' accounts and not transferred to final beneficiaries as of the reporting date.

**NOTE 26 Subordinated loan**

On 1 July 2004 a subordinated loan agreement between the Bank and Sampo Bank Plc. was signed. The loan amounts to EUR 14,481 thousand (LTL 50,000 thousand) and is used for general funding purposes and is included in Tier 2 regulatory capital. The subordinated loan matures on 5 July 2012 and is repayable in one installment.

On 1 July 2005 a new subordinated loan agreement between the Bank and Sampo Bank Plc. was signed. The loan amounts to EUR 5,213 thousand (LTL 18,000 thousand) and is used for general funding purposes and is included in Tier 2 regulatory capital. The subordinated loan matures on 28 July 2012 and is repayable in one installment.

The effective interest rate on subordinated loan corresponds to the nominal interest rate.

According to the both loan agreements, all or part of the indebtedness of the Bank may be converted into shares of the Bank. The conditions for conversion will be agreed by the parties in good faith. Because of the reason that neither conversion date nor conversion conditions can be reliably estimated, diluted earnings can not be calculated and therefore correspond to basic earnings per share.

**NOTE 27 Shareholder's equity**

The share capital of the Bank consists of 1,849,080 ordinary shares with a par value of LTL 100 each. All shares were fully paid as of 31 December 2005.

Restricted reserve capital amounting to LTL 95 thousand as of 31 December 2005 represents reprising effect on property plant and equipment and cannot be transferred to retained loss. This reserve although can be transferred to retained earnings.

Reserve capital amounting to LTL 3,212 thousand as of 31 December 2005 can be either offset against future losses or used for the share capital increase but cannot be distributed in any other manner.

On 4 January 2005 the Shareholder of the Bank decided to increase the share capital of the Bank by issuing new ordinary shares with a total value of LTL 16,868 thousand (LTL 100 each) and to cover retained loss by additional contributions with a total value of LTL 18,132 thousand. New shares were registered on 24 February 2005.

On 16 September 2005 the Shareholder of the Bank decided to increase the share capital of the Bank by issuing new ordinary shares with a total value of LTL 50,000 thousand (LTL 100 each). New shares were registered on 21 November 2005.

The table below represents reconciliation between shares outstanding as of 31 December 2005 and 31 December 2004. The capital of the Bank has been increased twice in 2005. All new shares were acquired by Sampo Bank Plc. and were fully paid as of 31 December 2005.

<b>Calculation of weighted average for 2005</b>	<b>Note</b>	<b>Number of shares</b>	<b>Par value</b>	<b>Issued/ 365 (days)</b>	<b>Weighted average</b>
Shares issued as of 31 December 2004		1,180,400	100	365/ 365	1,180,400
24 February 2005		168,680	100	310/ 365	143,262
21 November 2005		500,000	100	40/ 365	54,795
<b>Shares issued as of 31 December 2005</b>	<b>28</b>	<b>1,849,080</b>	<b>100</b>		<b><u>1,378,457</u></b>

<b>Calculation of weighted average for 2004</b>	<b>Note</b>	<b>Number of shares</b>	<b>Par value</b>	<b>Issued/ 366 (days)</b>	<b>Weighted average</b>
Shares issued as of 31 December 2003		880,400	100	366/ 366	880,400
31 March 2004		300,000	100	275/ 366	225,410
<b>Shares issued as of 31 December 2004</b>	<b>28</b>	<b>1,180,400</b>	<b>100</b>		<b><u>1,105,810</u></b>

**NOTE 28 Earnings per share**

	Note	The Bank		The Group	
		2005	2004	2005	2004
Net profit attributable to equity holders		8,233	1,370	8,737	1,134
Number of shares as of 31 December		1,849,080	1,180,400	1,849,080	1,180,400
Weighted number of shares	27	1,378,457	1,105,810	1,378,457	1,105,810
<b>Basic earnings per share (LTL)</b>		<b>5.97</b>	<b>1.24</b>	<b>6.34</b>	<b>1.03</b>
<b>Diluted earnings per share (LTL)</b>		<b>5.97</b>	<b>1.24</b>	<b>6.34</b>	<b>1.03</b>

The Bank has been granted subordinated loan that can be converted into shares, but because neither the conversion date nor conversion conditions can be reliably estimated, diluted earnings can not be calculated and therefore correspond to basic earnings per share.

**NOTE 29 Capital adequacy**

As of 31 December 2005 the Bank's capital adequacy ratio was equal to 11.56 percent (the Group's 10.76%), which was higher than the minimum ratio of 8 percent recommended by the Basle Agreement and set by the Bank of Lithuania, the regulatory body of commercial banks operating in Lithuania. Capital adequacy ratios of the Bank for the year 2005 can be specified as follows:

	The Bank	The Group
31 December 2004	14.01%	11.43%
31 March 2005	14.09%	12.11%
30 June 2005	11.98%	10.61%
30 September 2005	11.11%	10.09%
31 December 2005	11.56%	10.76%

During 2005 the Bank has complied with minimum capital adequacy ratio requirements set by the Bank of Lithuania.

Capital adequacy ratio calculation summary is presented in the table below.

Capital adequacy calculation, the Bank	2005		2004	
	Nominal	Weighted	Nominal	Weighted
Tier 1 equity items	188,878	188,878	101,637	101,637
Tier 2 equity items	76,385	76,385	51,230	51,230
Deductions from capital	(3,600)	(3,600)	(2,465)	(2,465)
<b>Eligible capital</b>	<b>261,663</b>	<b>261,663</b>	<b>150,402</b>	<b>150,402</b>
Risk assets				
0% risk assets	404,759	-	208,815	-
20% risk assets	142,425	28,485	43,217	8,643
50% risk assets	793,127	396,564	394,737	197,369
100% risk assets	1,614,441	1,614,441	763,325	763,325
Off balance sheet risk commitments	632,598	212,944	280,690	77,332
Trading book requirement		10,875		26,745
<b>Total risk exposure</b>		<b>2,263,309</b>		<b>1,073,414</b>
<b>Capital adequacy ratio</b>		<b>11.56%</b>		<b>14.01%</b>

**NOTE 30 Liquidity**

<b>Maturity gap (the Bank)</b> 31 December 2005	Effective interest rates	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	Indef. maturity	Total
<b>Assets</b>												
Cash	0.0%	15,355	-	-	-	-	-	-	-	-	-	15,355
Balances with the Bank of Lithuania	0.7%	162,869	-	-	-	-	-	-	-	-	-	162,869
Investments at fair value through profit or loss	2.8%	-	2,993	35,699	12,121	22,512	10,039	4,443	-	-	136	87,943
Due from banks and financial institutions	2.3-2.8%	14,825	143,644	-	-	163,051	61	-	-	-	18	321,599
Loans to customers, net	4.1%	-	42,554	63,364	79,057	217,167	635,022	269,339	410,927	596,130	7,704	2,321,264
Financial lease receivables, net	4.0-5.0%	-	-	-	-	-	-	-	-	-	-	-
Held to maturity investments	3.0%	-	9,647	21,612	5,920	4,229	99,060	-	12,013	-	-	152,481
Investment into subsidiary	0.0%	-	-	-	-	-	-	-	-	-	4,000	4,000
Intangible assets, less amortisation	0.0%	-	-	-	-	-	-	-	-	-	1,523	1,523
Property, plant and equipment, less depreciation	0.0%	-	-	-	-	-	-	-	-	-	6,377	6,377
Other assets, net	0.0%	851	265	1	2,130	-	11	-	-	-	1,407	4,665
<b>Total assets</b>		<b>193,900</b>	<b>199,103</b>	<b>120,676</b>	<b>99,228</b>	<b>406,959</b>	<b>744,193</b>	<b>273,782</b>	<b>422,940</b>	<b>596,130</b>	<b>21,165</b>	<b>3,078,076</b>

**NOTE 30 Liquidity (cont'd.)**

<b>Maturity gap (the Bank)</b> 31 December 2005	Effective interest rates	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	Indef. maturity	Total
<b>Liabilities</b>												
Amounts owed to credit and financial institutions	2.1-3.7%	25,608	279,238	257,964	401,517	714,895	128,015	38,463	3,139	-	-	1,848,839
Deposits from the public	1.4%	403,341	152,551	87,950	58,350	22,448	7,785	234	210	3	1,278	734,150
Debt securities issued	2.9%	-	179,784	-	-	7,728	-	-	-	-	-	187,512
Accrued expenses and deferred income	0.0%	-	2,631	30	62	4,306	59	27	43	56	-	7,214
Current profit tax	0.0%	-	-	-	-	-	-	-	-	-	-	-
Provisions	0.0%	-	10	29	36	205	497	26	-	-	-	803
Other liabilities	0.0%	31,517	308	-	-	-	-	-	-	-	-	31,825
Subordinated loan	3.3%	-	947	-	-	-	-	-	68,000	-	-	68,947
Shareholders' equity	0.0%	-	-	-	-	-	-	-	-	-	198,786	198,786
<b>Total liabilities and shareholders' equity</b>		<b>460,466</b>	<b>615,469</b>	<b>345,973</b>	<b>459,965</b>	<b>749,582</b>	<b>136,356</b>	<b>38,750</b>	<b>71,392</b>	<b>59</b>	<b>200,064</b>	<b>3,078,076</b>
Net assets (liabilities)		(266,566)	(416,366)	(225,297)	(360,737)	(342,623)	607,837	235,032	351,548	596,071	(178,899)	-
Contingent assets (liabilities)		-	(24,796)	(49,380)	(102,462)	(219,377)	(217,063)	(1,545)	(2,566)	(1,649)	-	(618,838)
Net assets (liabilities) including contingent liabilities		(266,566)	(441,162)	(274,677)	(463,199)	(562,000)	390,774	233,487	348,982	594,422	(178,899)	(618,838)
<b>Gap as a percentage of total assets</b>		<b>(8.7)%</b>	<b>(14.3)%</b>	<b>(8.9)%</b>	<b>(15.0)%</b>	<b>(18.3)%</b>	<b>12.7 %</b>	<b>7.6 %</b>	<b>11.3 %</b>	<b>19.3 %</b>	<b>(5.8)%</b>	<b>(20.1)%</b>
<b>The Bank</b>		<b>2005</b>	<b>2004</b>									
Total current assets		563,893	253,411									
Total current liabilities		1,130,817	493,270									
<b>Liquidity ratio</b>		<b>49.87%</b>	<b>51.37%</b>									

**NOTE 30 Liquidity (cont'd.)**

<b>Maturity gap (the Group)</b> 31 December 2005	Effective interest rates	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	Indef. maturity	Total
<b>Assets</b>												
Cash	0.0%	15,355	-	-	-	-	-	-	-	-	-	15,355
Balances with the Bank of Lithuania	0.7%	162,869	-	-	-	-	-	-	-	-	-	162,869
Investments at fair value through profit or loss	2.8%	-	2,993	35,699	12,121	22,512	10,039	4,443	-	-	136	87,943
Due from banks and financial institutions	2.3%	14,825	143,411	-	-	-	-	-	-	-	18	158,254
Loans to customers, net	4.1%	-	42,554	63,364	79,057	217,167	635,022	269,339	410,927	596,130	7,704	2,321,264
Financial lease receivables, net	4.0-5.0%	-	9,373	16,241	23,857	45,221	142,078	54,416	37,055	6,492	1,621	336,354
Held to maturity investments	3.0%	-	9,647	21,612	5,920	4,229	99,060	-	12,013	-	-	152,481
Investment into subsidiary	0.0%	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, less amortisation	0.0%	-	-	-	-	-	-	-	-	-	1,545	1,545
Property, plant and equipment, less depreciation	0.0%	-	-	-	-	-	-	-	-	-	21,833	21,833
Other assets, net	0.0%	851	515	1	2,130	-	11	-	-	-	7,222	10,730
<b>Total assets</b>		<b>193,900</b>	<b>208,493</b>	<b>136,917</b>	<b>123,085</b>	<b>289,129</b>	<b>886,210</b>	<b>328,198</b>	<b>459,995</b>	<b>602,622</b>	<b>40,079</b>	<b>3,268,628</b>

**NOTE 30 Liquidity (cont'd.)**

<b>Maturity gap (the Group)</b> 31 December 2005	Effective interest rates	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	Indef. maturity	Total
<b>Liabilities</b>												
Amounts owed to credit and financial institutions												
	2.1-3.7%	25,608	308,192	339,859	472,538	714,895	128,015	38,463	3,139	-	-	2,030,709
Deposits from the public	1.4%	403,341	152,551	87,950	58,350	22,448	7,785	234	210	3	1,278	734,150
Debt securities issued	2.9%	-	179,784	-	-	7,728	-	-	-	-	-	187,512
Accrued expenses and deferred income	0.0%	-	2,631	30	62	4,144	59	27	43	56	529	7,581
Current profit tax	0.0%	-	-	-	-	162	-	-	-	-	-	162
Provisions	0.0%	-	11	29	36	205	497	26	-	-	-	804
Other liabilities	0.0%	31,517	308	-	-	-	-	-	-	-	8,909	40,734
Subordinated loan	3.3 %	-	947	-	-	-	-	-	68,000	-	-	68,947
Shareholders' equity	0.0%	-	-	-	-	-	-	-	-	-	198,029	198,029
<b>Total liabilities and shareholders' equity</b>		<b>460,466</b>	<b>644,424</b>	<b>427,868</b>	<b>530,986</b>	<b>749,582</b>	<b>136,356</b>	<b>38,750</b>	<b>71,392</b>	<b>59</b>	<b>208,745</b>	<b>3,268,628</b>
Net assets (liabilities)		(266,566)	(435,931)	(290,951)	(407,901)	(460,453)	749,854	289,448	388,603	602,563	(168,666)	-
Contingent assets (liabilities)		-	(25,194)	(57,958)	(109,206)	(219,648)	(216,114)	(1,545)	(2,566)	(1,649)	-	(633,880)
Net assets (liabilities) including contingent liabilities		(266,566)	(461,125)	(348,909)	(517,107)	(680,101)	533,740	287,903	386,037	600,914	(168,666)	(633,880)
<b>Gap as a percentage of total assets</b>		<b>(8.2)%</b>	<b>(14.1)%</b>	<b>(10.7)%</b>	<b>(15.8)%</b>	<b>(20.8)%</b>	<b>16.3 %</b>	<b>8.8 %</b>	<b>11.8 %</b>	<b>18.4 %</b>	<b>(5.2)%</b>	<b>(19.4)%</b>
<b>The Group</b>		<b>2005</b>	<b>2004</b>									
Total current assets		573,311	260,302									
Total current liabilities		1,160,169	553,611									
<b>Liquidity ratio</b>		<b>49.42%</b>	<b>47.02%</b>									

**NOTE 31 Assets and liabilities by term to reprising**

Below is presented breakdown of interest rate sensitive assets and liabilities by term to their reprising date. Interest rate sensitive assets and liabilities are presented.

<b>Interest rate gap (the Bank)</b> 31 December 2005	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 10 years	Total
<b>Assets</b>							
Loans to customers	221,962	1,382,649	600,752	37,898	21,473	14,782	2,279,516
Factoring	22,805	15,591	3,352	-	-	-	41,748
Financial lease receivables	-	-	-	-	-	-	-
Due from banks and financial institutions	323,999	26,771	-	-	61	-	350,831
Government debt securities	12,580	56,022	18,041	20,224	101,600	16,456	224,923
Other Securities	5,063	1,289	-	6,517	2,495	-	15,364
<b>Total assets</b>	<b>586,409</b>	<b>1,482,322</b>	<b>622,145</b>	<b>64,639</b>	<b>125,629</b>	<b>31,238</b>	<b>2,912,382</b>
<b>Liabilities</b>							
Amounts owed to credit and financial institutions	348,185	395,289	436,046	703,281	7,324	2,051	1,892,176
Deposits from the public	153,824	87,952	58,354	22,448	7,785	446	330,809
Debt securities issued	179,784	-	-	7,728	-	-	187,512
<b>Total liabilities</b>	<b>681,793</b>	<b>483,241</b>	<b>494,400</b>	<b>733,457</b>	<b>15,109</b>	<b>2,497</b>	<b>2,410,497</b>
Off Balance sheet items							
<b>Gap</b>	<b>(95,384)</b>	<b>999,081</b>	<b>127,745</b>	<b>(668,818)</b>	<b>110,520</b>	<b>28,741</b>	<b>501,885</b>
<b>Cumulative Gap</b>	<b>(95,384)</b>	<b>903,697</b>	<b>1,031,442</b>	<b>362,624</b>	<b>473,144</b>	<b>501,885</b>	<b>-</b>
<b>Result to the net interest income during the year, shift by +1%</b>	<b>(914)</b>	<b>8,326</b>	<b>798</b>	<b>(1,672)</b>			<b>6,538</b>
<b>Result to the net interest income during the year, shift by -1%</b>	<b>914</b>	<b>(8,326)</b>	<b>(798)</b>	<b>1,672</b>			<b>(6,538)</b>

**NOTE 31 Assets and liabilities by term to reprising (cont'd.)**

**Interest rate gap (the Group)**

31 December 2005

	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 10 years	Total
<b>Assets</b>							
Loans to customers	221,962	1,382,649	600,752	37,898	21,473	14,782	2,279,516
Factoring	22,805	15,591	3,352	-	-	-	41,748
Financial lease receivables	41,502	75,905	201,007	4,572	12,332	1,036	336,354
Due from banks and financial institutions	187,486	-	-	-	-	-	187,486
Government debt securities	12,580	56,022	18,041	20,224	101,600	16,456	224,923
Other Securities	5,063	1,289	-	6,517	2,495	-	15,364
<b>Total assets</b>	<b>491,398</b>	<b>1,531,456</b>	<b>823,152</b>	<b>69,211</b>	<b>137,900</b>	<b>32,274</b>	<b>3,085,391</b>
<b>Liabilities</b>							
Amounts owed to credit and financial institutions	377,139	477,183	507,067	703,281	7,324	2,051	2,074,045
Deposits from the public	153,824	87,952	58,354	22,448	7,785	446	330,809
Debt securities issued	179,784	-	-	7,728	-	-	187,512
<b>Total liabilities</b>	<b>710,747</b>	<b>565,135</b>	<b>565,421</b>	<b>733,457</b>	<b>15,109</b>	<b>2,497</b>	<b>2,592,366</b>
Off Balance sheet items							
<b>Gap</b>	<b>(219,349)</b>	<b>966,321</b>	<b>257,731</b>	<b>(664,246)</b>	<b>122,791</b>	<b>29,777</b>	<b>493,025</b>
<b>Cumulative Gap</b>	<b>(219,349)</b>	<b>746,972</b>	<b>1,004,703</b>	<b>340,457</b>	<b>463,248</b>	<b>493,025</b>	<b>-</b>
<b>Result to the net interest income during the year, shift by +1%</b>	<b>(2,102)</b>	<b>8,053</b>	<b>1,611</b>	<b>(1,661)</b>			<b>5,901</b>
<b>Result to the net interest income during the year, shift by -1%</b>	<b>2,102</b>	<b>(8,053)</b>	<b>(1,611)</b>	<b>1,661</b>			<b>(5,901)</b>

**NOTE 32 Assets and liabilities by currencies**

The Bank	Balance sheet		Off Balance sheet		Open position	Position as % of capital
	Assets	Liabilities	Contingent claims	Contingent liabilities		
31 December 2005						
LTL	833,440	(975,824)	65	(1,009)	(143,328)	-54.78%
EUR	2,147,800	(2,008,757)	6,902	(4,095)	141,850	54.21%
USD	91,278	(87,525)	3,572	(6,380)	945	0.36%
Other EU currencies	4,304	(4,822)	1,476	(855)	103	0.04%
Other non-EU currencies	1,254	(1,148)	75	-	181	0.07%
<b>Total assets</b>	<b>3,078,076</b>	<b>(3,078,076)</b>	<b>12,090</b>	<b>(12,339)</b>	<b>(249)</b>	<b>N/A</b>
Aggregate long positions*					1,352	0.52%
Aggregate short positions*					(123)	-0.05%
Eligible capital						261,663
* EUR and LTL excluded						

**Open foreign currency position 2005** **0.52%**  
 Open foreign currency position, 2004 0.40%

The Group	Balance sheet		Off Balance sheet		Open position	Position as % of capital
	Assets	Liabilities	Contingent claims	Contingent liabilities		
31 December 2005						
LTL	822,597	(982,440)	65	(1,009)	(160,787)	-60.79%
EUR	2,348,348	(2,191,041)	6,902	(4,095)	160,114	60.54%
USD	91,278	(88,017)	3,572	(6,380)	453	0.17%
Other EU currencies	4,304	(4,822)	1,476	(855)	103	0.04%
Other non-EU currencies	2,101	(2,308)	75	-	(132)	-0.05%
<b>Total assets</b>	<b>3,268,628</b>	<b>(3,268,628)</b>	<b>12,090</b>	<b>(12,339)</b>	<b>(249)</b>	
Aggregate long positions*					839	0.32%
Aggregate short positions*					(414)	-0.16%
Eligible capital						264,485
* EUR and LTL excluded						

**Open foreign currency position 2005** **0.32%**  
 Open foreign currency position 2004 0.40%

According to the Bank of Lithuania requirements, the maximum aggregate open currency position shall be less than 25 per cent of the Bank's eligible capital, and the open single currency position shall not exceed 15% of the Bank's eligible capital.

**NOTE 33 Related parties**

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Management board of the Bank consists of chairman of the board and 4 board members, each being responsible for specific division: Retail, Corporate, Business development and Finance. The remuneration of the Board, including social security expenses, amounted to LTL 2,333 thousand in 2005 (LTL 1,816 thousand in 2004).

The other group companies are considered as related parties, if their ultimate parent is Sampo Plc.

During the year 2005, a number of banking transactions were entered into with related parties in the normal course of business. These included settlements, loans, deposit taking, and foreign currency transactions. Transactions with related parties were entered using arm's length principle.

The outstanding balances at the year-end and operations for the year 2005 with related parties are as follows:

Related parties	The Bank				The Subsidiary	
	Sampo Plc.	Other group companies*	Subsidiary company	Key management	Other group companies*	Sampo Plc.
31 December 2005						
Loans outstanding at January 1	9,834	33	22,374	1,490	-	-
Loans outstanding at 31 December	36,100	80	163,111	2,326	92	-
Interest income on loans	630	2	4,495	69	16	-
Deposits at 1 January	772,628	6,579	383	211	-	-
Deposits at 31 December.	1,658,584	5,808	-	550	-	181,870
Interest expense on deposits	25,998	149	2	9	-	4,685
Commitments and guarantees issued	-	1,290	1,288	792	-	-
Commitments and guarantees received	49,500	-	-	-	-	-
Fee and commission income	-	559	32	1	20	-
Other income	-	90	541	-	40	-
Fee and commission expense	-	16	4	-	-	-
Other operating expenses	62	2	2,108	29	-	-

\*Other Group companies include Sampo Gyvybės Draudimas UAB (life insurance company), If Draudimas UAB (non-life insurance company), Sampo Pank AS

Loans to key management*	<b>Average interest</b>	<b>2005</b>
	2.98%	2,326

\*Key management personnel represent the Board of the Bank.

### **NOTE 34 Risk management**

Risk management of the Group is arranged in accordance with Sampo Group Risk management Principles.

The Financial Policy of the Bank defines the objective, organisation and division of responsibility for Risk management. It also defines risk appetite, structures the bank's financial risk management function, identifies the risks involved and describes management policy for each type of financial and market risk.

The objective of the financial risk management is to enhance shareholders value by safeguarding stable earnings through identification, monitoring and pricing of all financial risks arising from the Bank's operations.

The Risk management process prominently includes the following points as a minimum:

- Recognising risks: The risks associated with providing new services are studied, recognised and approved before the function is started up.
- Pricing: The general principle is that all financial risks the Bank assumes must be compensated with optimal risk/return ratio. Criteria in pricing financial risks are the capital tied up, the targeted capital yield, and the costs of the operation.
- Risk assessment, control and reporting: The risks control and reporting is arranged independently of business operations and it's organized through setting and follow-up of risk limits.

The risk management process is divided into risk monitoring (setting the principles, limits and authorisations, risk calculations also supervision of the functioning of the risk management) and risk management (risk recognition, risk pricing, making decisions on risk management).

Risk monitoring is the responsibility of Council of the Bank, the Board of the Bank, Board of Subsidiary and other organizational units if such responsibilities are delegated.

Risk management is the responsibility of the committees and line officers involved.

The risk management process in AB SAMPO Bankas group is regulated by several Risk Management Policies.

#### ***Credit risk***

The purpose of lending and investing is to support the long-term profitability goals of the Group and to increase asset value. The purpose of credit risk management is to ensure that lending or investing does not create a credit risk that may significantly endanger the profitability or solvency of the Group or any part of it. The amount and structure of the credit risk is controlled with annually revised credit policies and investment plans incorporated in the strategies devised by the companies. These policies and plans restrict the amount of credit risk, for example, by means of capital adequacy targets, risk capital and target portfolios set for each credit rating. Effective credit risk management involves continuous monitoring and reporting and actions taken against fairly large risks of a known type.

On a practical level, individual credit risks are controlled not only through credit policy and investment plans but also by decision-making authorizations, guidelines and various limits.

The key limits apply to the credit risk management of companies and corporations. These limits can restrict risk-taking concerning certain countries, customers and products, and ensure that accumulated risk concentration in traditional financing and investment does not exceed the permitted level in the entire Group. Other monitoring to restrict risk-taking, e.g. in each creditworthiness category or concerning economic capital employed, is done afterwards through reporting.

#### **NOTE 34 Risk management (cont'd)**

Credit Policy defines the general guidelines for credit risk for each year through setting targets in economic sectors (target portfolios), setting the limits of different credit rating/scoring groupings, and gives recommended margins to the each risk group. The sound practices set out in this documents specifically address the establishing an appropriate credit risk environment.

The Credit Policy should be reconsidered and approved by the Bank's Council at least once a year in order to provide its compliance with current banking strategy and economic situation.

The Credit Policy defines the general guidelines for credit risk, the more detailed credit risk management, evaluation and monitoring, etc. working procedures and definitions are described in other the Bank's documents approved by the Bank's Board.

The Credit Policy establishes targets for portfolio mix as well as sets exposure limits on:

- credit rating/scoring;
- a single borrower and a group of connected counterparties;
- a particular industries or economic sectors;
- an individual foreign country or a group of countries and financial institutions;

The Bank's objective is to have a balanced portfolio of credit exposures spread across different market/industry sectors. The concentration of lending in any one particular sector should be avoided at all times. The identification and closure of unprofitable relationships and the detection of new, quality lending opportunities are essential elements of this process and must be strongly pursued.

The starting point for assessing the credit risk for corporate and institutional customers is the Bank's internal credit rating. Credit ratings are based on categories of creditworthiness defined by the Bank. The Bank also accepts ratings by specific foreign institutions and may convert them to correspond to its own rating system. The Bank's own rating is based on approved methods of assessment.

A credit risk is not taken if the customer is not creditworthy. The risk involved in predicting creditworthiness is reduced by requiring collateral and, in the case of companies and corporations, also through special conditions known as covenants. Investment is partly controlled by the creditworthiness of the investment object's counterparty, but that is based on market knowledge, not inside information that falls under bank confidentiality.

#### ***Currency risk***

Foreign exchange risk shall mean the risk that the relevant exchange rate or rates might move against a Bank's net open position in foreign currencies emerging either because of foreign exchange trading positions and (or) because of exposures caused by its overall assets and liabilities

The Bank holds a minimal (reasonable) level of foreign exchange positions necessary to offer services to clients. The Bank seeks to minimise foreign exchange risk in its lending or asset taking and funding operations by matching the asset and liability side by currencies in such way that always has to comply with the risk ratios established.

Bank shall manage foreign exchange position risk by establishing maximum risk limits as percentage of capital (also see NOTE 32).

#### **NOTE 34 Risk management (cont'd)**

##### ***Liquidity risk***

The Bank's liquidity risk management and control is regulated by the Bank's Liquidity risk management and control procedure, in which the main limits for the control of the bank's liquidity risk are established.

Liquidity risk is the risk that the bank will not have sufficient funds to meet commitments at any given point in time.

The Bank's liquidity management is based on the current and desired profile of its Balance Sheet structure. The Bank's liquidity forecast is made when forecasting the yearly budgets, forecasting the total amount and profile of the required liability portfolio. A credit facility from Sampo Bank Plc. allows the Bank to manage the liquidity gap in the desired manner.

The Bank's policy is to be as liquid as it takes to cover all its obligations under all uncertain circumstances that might occur within the market environment within which the Bank operates.

Other tasks of liquidity management are to:

- Comply with the liquidity ratio requirements,
- Optimise the Risk/Return ratio – sufficient liquidity compared with carry,
- React adequately and in time to significant changes in the operating environment.

Liquidity management takes place on following levels:

- Liquidity management of a financial year;
- Monthly liquidity management;
- Daily liquidity management (also see NOTE 30).

##### ***Interest rate risk***

The Bank defines interest rate risk as an adverse variation in cost or return caused by a change in the absolute level of interest rates, in the spread between borrowing and lending rates, in the shape of the yield curve, or in any other interest rate relationship.

The main principles for the Bank's interest rate risk management are defined by Interest rate risk management and control establishment rules, whose objective is to determine the interest rate risk occurred in activity of the Bank, to estimate risk control and management rules, interest rate risk's limits and its monitoring, and therefore guaranty the highest level of the Bank's risk management and control affectivity (also see NOTE 31).

##### ***Equity risk***

Equity risk shall be the risk that Bank may incur losses because of fluctuations of price of equity securities held by the Bank.

The Bank holds or intends to acquire equity securities for the purpose of investment or performing the purchase-resale operations with customers of the bank, i.e. for the purpose of trading.

Bank's trading equity portfolio shall be managed with the intention to provide services to the Bank's clients and to benefit from market movements.

The management of potential risk of equity securities adverse price movements is implemented by establishing overall maximum limit upon operations with equity securities and individual limits per each issuer of equity securities. Additionally stop-loss limits are implemented.

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#### **NOTE 34 Risk management (cont'd)**

##### ***Operational risk***

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The objective of operational risk management is to establish and implement operational risk management principles that shall be used in all activity areas of the Bank in protecting Bank asset and future income. These principles shall be equally binding for all Bank's employees, each employee shall understand his responsibility and risks involved in his work duties or products sold.

Operational Risks are measured and monitored according to the Operational Risk Policy, which regulates the definition, risk management and reporting procedures of operational risk in the Bank.

##### ***Fair value***

The estimated fair value of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgement is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument.

The following methods and assumptions are used by the Group to estimate the fair value of these financial instruments:

**Cash.** Represents cash on hand which nominal amount approximates its fair value.

**Balances with the Bank of Lithuania.** The carrying amount approximates its fair value as these are current accounts at the Bank of Lithuania.

**Investments at Fair Value Through Profit or Loss.** The carrying amount approximates fair value of such investments as they are valued at market rates.

**Held to Maturity Investments.** The fair value of held to maturity investments as of 31 December 2005 was LTL 152,372 (as of 31 December 2004 – LTL 95,872)

**Amounts Due from and to Credit Institutions.** For assets maturing within three months, the carrying amount approximates fair value due to the relatively short- term maturity of these financial instruments. For longer-term deposits, due to the re-pricing of assets to the market interest rates, the interest rates applicable approximates market rates and, consequently, the fair value approximates the carrying amounts.

**Loans to Customers and Financial Lease Receivable.** The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as of the respective year-end. Based on the estimates the fair value approximates the carrying amounts.

**Amounts Due to Customers.** For balances maturing within three months the carrying amount approximates fair value due to the relatively short maturity of these financial instruments. For longer term fixed interest bearing deposits and other borrowings the estimated fair value is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The fair value approximates the carrying amounts.

**Debt Securities Issued.** These amounts include securities with interest rates, which reflect market interest rates and, consequently, the fair value approximates the carrying amounts.

**NOTE 35 Commitments and contingencies**

	<b>The Bank</b>		<b>The Group</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Guarantees issued	11,003	20,525	10,980	19,014
Commitments to purchase (sell) foreign currency	160	19	160	19
Commitments to issue a loan or guarantee	619,962	259,106	635,006	273,242
Commitment to sell assets	1,300	667	1,300	667
Issued letters of credit	1,137	1,188	822	1,188
Commitment to sell back debt securities	30,253	21,304	30,253	21,304

Commitments to purchase (sell) foreign currency

	<b>The Bank</b>		<b>The Group</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Spot agreements				
Liability to purchase	11,129	3,161	11,129	3,161
Liability to sell	(11,128)	(3,160)	(11,128)	(3,160)
	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Other derivative instruments				
Liability to purchase	803	30,860	803	30,860
Liability to sell	(802)	(30,842)	(802)	(30,842)
	<b>1</b>	<b>18</b>	<b>1</b>	<b>18</b>
<b>Commitments to purchase (sell) foreign currency</b>	<b>2</b>	<b>19</b>	<b>2</b>	<b>19</b>

As of 31 December 2005 the Bank and the Group had equity call option amounting to LTL 158 thousand.

Fair value of derivative instruments is presented in the table below

<b>31 December 2005</b>	<b>Note</b>	<b>Notional amount</b>		<b>Fair value</b>	
		<b>Book value</b>	<b>Cost</b>	<b>Liability</b>	<b>Asset</b>
Swaps		591	(588)	-	3
Forwards		212	(214)	(2)	-
		<b>803</b>	<b>(802)</b>	<b>(2)</b>	<b>3</b>
Equity option		158	(147)	-	11
<b>Total</b>	19,25	<b>961</b>	<b>(949)</b>	<b>(2)</b>	<b>14</b>
<b>31 December 2004</b>	<b>Note</b>	<b>Notional amount</b>		<b>Fair value</b>	
		<b>Book value</b>	<b>Cost</b>	<b>Liability</b>	<b>Asset</b>
Swaps		29,349	(29,345)	-	4
Forwards		1,511	(1,497)	(21)	35
<b>Total</b>	19,25	<b>30,860</b>	<b>(30,842)</b>	<b>(21)</b>	<b>39</b>

**NOTE 36 Compliance with regulatory requirements**

As of 31 December 2005 and during 2005 the Bank and the Group was in compliance with all regulatory requirements set forth by the Bank of Lithuania and internal policies of the Bank..

**NOTE 37 Subsequent events**

There were no subsequent events after the balance sheet date which should be disclosed. The Bank did not propose to pay out any dividends to its shareholder till the date of financial statements' authorisation.