

**AB BANKAS NORD/LB LIETUVA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

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FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

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**PricewaterhouseCoopers UAB**

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**AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANKAS NORD/LB LIETUVA AB**

1. We have audited the financial statements of Bankas NORD/LB Lietuva AB (hereinafter "the Bank") and its consolidated subsidiaries (hereinafter collectively "the Group") as at 31 December 2004 prepared in accordance with the International Financial Reporting Standards, on the basis of which the accompanying forms 1, 2, 3 and 4 (hereinafter "the Forms") and notes were prepared. We conducted our audit in accordance with International Standards on Auditing as issued by the International Federation of Accountants. Our auditor's report dated 28 February 2005 on the financial statements, on the basis of which the accompanying Forms and notes were prepared, was qualified. This qualification has no impact on these Forms and notes, since the accounting policy referred to therein was not in compliance with International Financial Reporting Standards but met the requirements established for the preparation of these Forms and notes.
2. The information presented in the Forms and notes was prepared following the requirements set out in the Board of the Bank of Lithuania resolution No.102 dated 23 October 2003.
3. In our opinion, information presented in the accompanying Forms and notes in all material respects is consistent with the financial statements, on the basis of which these Forms and notes were prepared.
4. For a better understanding of the financial position of the Bank and the Group, the results of their operations, management's responsibility for the financial statements, and the scope of our audit, the Forms and notes should be read in conjunction with the financial statements, based on which these Forms and notes were prepared, as well as with our auditor's report thereon.

On behalf of PricewaterhouseCoopersUAB

Christopher C. Butler  
Partner

Ona Armalienė  
Auditor's Certificate No.000008

Vilnius, Republic of Lithuania  
28 February 2005

**AB BANKAS NORD/LB LIETUVA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**Form 1**

**BALANCE SHEET  
31 December 2004**

**LTL thousand**

No.	Item	Notes	Current financial year			Previous financial year		
			Parent Bank	Financial group	All group	Parent Bank	Financial group	All group
Assets								
<b>1.</b>	<b>Cash, precious metals and other valuables</b>		<b>96,205</b>	<b>96,206</b>	<b>96,206</b>	<b>111,389</b>	<b>111,394</b>	<b>111,394</b>
<b>2.</b>	<b>Claims on central banks</b>	2	<b>127,894</b>	<b>127,894</b>	<b>127,894</b>	<b>122,866</b>	<b>122,866</b>	<b>122,866</b>
<b>3.</b>	<b>Claims on banks , credit and financial institutions</b>	3	<b>446,360</b>	<b>386,338</b>	<b>386,338</b>	<b>284,803</b>	<b>159,369</b>	<b>159,369</b>
3.1.	Deposits		289,525	289,525	289,525	120,702	122,152	122,152
3.2.	Repurchase transactions		53,490	53,490	53,490	-	-	-
3.3.	Loans		103,345	43,323	43,323	164,101	37,217	37,217
<b>4.</b>	<b>Treasury bills</b>	12	<b>14,587</b>	<b>15,032</b>	<b>15,032</b>	<b>36,525</b>	<b>51,115</b>	<b>51,115</b>
<b>5.</b>	<b>Loans to customers</b>	4, 5	<b>2,473,085</b>	<b>2,473,233</b>	<b>2,473,233</b>	<b>1,583,008</b>	<b>1,583,589</b>	<b>1,583,589</b>
<b>6.</b>	<b>Leasing</b>	6	-	<b>215,854</b>	<b>215,854</b>	-	<b>132,992</b>	<b>132,992</b>
<b>8.</b>	<b>Debt securities</b>	7, 12	<b>324,072</b>	<b>324,798</b>	<b>324,798</b>	<b>240,798</b>	<b>256,846</b>	<b>256,846</b>
<b>9.</b>	<b>Claims under the derivatives contracts</b>		<b>866</b>	<b>866</b>	<b>866</b>	<b>1,039</b>	<b>1,039</b>	<b>1,039</b>
<b>10.</b>	<b>Equity investments</b>	7,12	<b>7,336</b>	<b>37</b>	<b>37</b>	<b>23,259</b>	<b>935</b>	<b>935</b>
10.1.	Investments recorded according to the equity method		7,299	-	-	22,324	-	-
<b>11.</b>	<b>Intangible assets (less amortisation)</b>	9	<b>4,236</b>	<b>4,339</b>	<b>4,339</b>	<b>3,306</b>	<b>3,881</b>	<b>3,881</b>
<b>12.</b>	<b>Tangible fixed assets (less depreciation)</b>	10	<b>100,127</b>	<b>108,141</b>	<b>108,141</b>	<b>108,302</b>	<b>117,095</b>	<b>117,095</b>
12.1.	Buildings and other real estate		74,929	74,929	74,929	80,720	81,427	81,427
12.2.	Vehicles		71	6,556	6,556	424	5,056	5,056
12.3.	Equipment and other fixed assets		25,127	26,656	26,656	27,158	30,612	30,612
<b>13.</b>	<b>Accrued income and deferred expenses</b>	12	<b>6,545</b>	<b>7,394</b>	<b>7,394</b>	<b>6,560</b>	<b>9,605</b>	<b>9,605</b>
<b>14.</b>	<b>Other assets</b>	11	<b>14,609</b>	<b>19,319</b>	<b>19,319</b>	<b>19,649</b>	<b>35,833</b>	<b>35,833</b>
<b>16.</b>	<b>Total assets</b>		<b>3,615,922</b>	<b>3,779,451</b>	<b>3,779,451</b>	<b>2,541,504</b>	<b>2,586,559</b>	<b>2,586,559</b>
Liabilities								
<b>17.</b>	<b>Liability to central banks</b>		-	-	-	-	-	-
<b>18.</b>	<b>Due to banks and other credit and financial institutions</b>	13	<b>906,085</b>	<b>1,063,024</b>	<b>1,063,024</b>	<b>503,316</b>	<b>518,938</b>	<b>518,938</b>
18.1.	Deposits		518,411	514,795	514,795	385,220	383,578	383,578
18.2.	Repurchase transactions		-	-	-	-	-	-
18.3.	Loans		387,674	548,229	548,795	118,096	135,360	135,360
<b>19.</b>	<b>Deposits and letters of credit</b>	14	<b>1,898,553</b>	<b>1,898,553</b>	<b>1,898,553</b>	<b>1,513,491</b>	<b>1,513,491</b>	<b>1,513,491</b>
<b>20.</b>	<b>Liabilities under the derivatives contracts</b>		<b>1,666</b>	<b>1,666</b>	<b>1,666</b>	<b>1,497</b>	<b>1,497</b>	<b>1,497</b>
<b>21.</b>	<b>Special and lending funds</b>	15	<b>74,004</b>	<b>74,004</b>	<b>74,004</b>	<b>62,681</b>	<b>62,681</b>	<b>62,681</b>
<b>22.</b>	<b>Debt securities issued</b>	16	<b>393,984</b>	<b>393,811</b>	<b>393,811</b>	<b>171,847</b>	<b>171,847</b>	<b>171,847</b>
<b>23.</b>	<b>Accrued expenses and deferred income</b>		<b>20,502</b>	<b>22,099</b>	<b>22,099</b>	<b>14,593</b>	<b>16,352</b>	<b>16,352</b>
<b>24.</b>	<b>Subordinated loans</b>	17	<b>89,773</b>	<b>89,773</b>	<b>89,773</b>	<b>87,100</b>	<b>87,100</b>	<b>87,100</b>
<b>25.</b>	<b>Other liabilities</b>	17	<b>18,187</b>	<b>23,248</b>	<b>23,248</b>	<b>11,738</b>	<b>39,412</b>	<b>39,412</b>
<b>27.</b>	<b>Total liabilities</b>		<b>3,402,754</b>	<b>3,566,178</b>	<b>3,566,178</b>	<b>2,366,263</b>	<b>2,411,318</b>	<b>2,411,318</b>

**AB BANKAS NORD/LB LIETUVA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

**Balance sheet (continued)**

No.	Item	Notes	Current financial year			Previous financial year		
			Parent Bank	Financial group	All group	Parent Bank	Financial group	All group
Shareholders' equity								
<b>30.</b>	<b>Capital and reserves</b>		<b>213,168</b>	<b>213,273</b>	<b>213,273</b>	<b>175,241</b>	<b>175,241</b>	<b>175,241</b>
30.1.	Registered share capital		195,117	195,117	195,117	176,585	176,585	176,585
30.2.	Purchased own shares		-	-	-	-	-	-
30.3.	Share premium		-	-	-	-	-	-
30.4.	Revaluation reserve		983	983	983	2,405	2,405	2,405
30.5.	Financial assets revaluation reserve		-	-	-	-	-	-
30.6.	Retained profit (loss)	18	(2,682)	(2,682)	(2,682)	(22,019)	(22,019)	(22,019)
30.7.	Profit (loss) of the current financial year	18	19,395	19,500	19,500	15,454	15,454	15,454
30.8.	Other capital and reserves		355	355	355	2,816	2,816	2,816
30.9.	Funds of foreign bank affiliate ( branch ) received form the head office		-	-	-	-	-	-
<b>31.</b>	<b>Minority's equity</b>		-	-	-	-	-	-
<b>32.</b>	<b>Total liabilities and shareholders' equity</b>		<b>3,615,922</b>	<b>3,779,451</b>	<b>3,779,451</b>	<b>2,541,504</b>	<b>2,586,559</b>	<b>2,586,559</b>

Off-balance Sheet Items

**Bank commitments and claims**

<b>1.</b>	<b>Guarantees and warranties issued</b>		<b>28,524</b>	<b>28,489</b>	<b>28,489</b>	<b>41,423</b>	<b>41,423</b>	<b>41,423</b>
<b>2.</b>	<b>Commitments to issue letters of credit</b>		<b>565</b>	<b>565</b>	<b>565</b>	<b>6,390</b>	<b>6,390</b>	<b>6,390</b>
<b>3.</b>	<b>Irrevocable credit commitments</b>		<b>409,192</b>	<b>348,462</b>	<b>348,462</b>	<b>309,401</b>	<b>294,389</b>	<b>294,389</b>
<b>4.</b>	<b>Other off-balance commitments</b>	19	<b>10,226</b>	<b>17,191</b>	<b>17,191</b>	<b>50,972</b>	<b>66,976</b>	<b>66,976</b>
<b>5.</b>	<b>Financial derivatives</b>	19						
5.1.	Amounts receivable (claims)		114,513	114,513	114,513	99,723	99,723	99,723
5.2.	Amounts payable (commitments)		113,647	113,647	113,647	99,291	99,291	99,291

T.S. Buerkle  
President

V. Barevičiūtė  
Acting chief accountant

**INCOME STATEMENT  
31 December 2004**

**LTL thousand**

No.	Item	Notes	Current financial year			Previous financial year		
			Parent Bank	Financial group	All group	Parent Bank	Financial group	All group
<b>1.</b>	<b>Interest income</b>		<b>122,027</b>	<b>127,951</b>	<b>127,951</b>	<b>94,544</b>	<b>99,729</b>	<b>99,729</b>
1.1.	On loans to credit and financial institutions, and on funds with credit institutions		7,333	3,670	3,670	5,149	1,542	1,542
1.2.	On other loans		104,086	104,106	104,106	74,682	74,682	74,682
1.3.	On subordinated loans		-	-	-	-	-	-
1.4.	On debt securities acquired		10,608	10,669	10,669	14,713	16,277	16,277
1.5.	On lease		-	9,506	9,506	-	7,228	7,228
1.6.	Other interest income	20	-	-	-	-	-	-
<b>2.</b>	<b>Interest expenses</b>		<b>42,775</b>	<b>45,097</b>	<b>45,097</b>	<b>31,830</b>	<b>32,432</b>	<b>32,432</b>
2.1.	For liabilities to credit and financial institutions and for funds of credit institutions		12,980	15,307	15,307	8,745	9,347	9,347
2.2.	For deposits and other repayable funds		19,023	19,023	19,023	20,811	20,811	20,811
2.3.	For subordinated loans		2,804	2,804	2,804	2,234	2,234	2,234
2.4.	For debt securities issued		7,968	7,963	7,963	40	40	40
2.5.	Other interest expenses	20	-	-	-	-	-	-
<b>3.</b>	<b>Net interest income (1 – 2)</b>		<b>79,252</b>	<b>82,854</b>	<b>82,854</b>	<b>62,714</b>	<b>67,297</b>	<b>67,297</b>
<b>4.</b>	<b>Expenses for specific provisions</b>		<b>(11,234)</b>	<b>(11,199)</b>	<b>(11,199)</b>	<b>(20,956)</b>	<b>(20,979)</b>	<b>(20,979)</b>
4.1.	For loans and interest		8,140	8,199	8,199	(1,526)	(1,549)	(1,549)
4.2.	For guarantees and warranties		-	-	-	-	-	-
4.3.	For general risk of doubtful assets		(4,117)	(4,141)	(4,141)	(42)	(42)	(42)
4.4.	Adjustment of expenses due to recovery of previously written-off loans*		(15,257)	(15,257)	(15,257)	(19,388)	(19,388)	(19,388)
<b>5.</b>	<b>Net interest income after provisions (3 - 4)</b>		<b>90,486</b>	<b>94,053</b>	<b>94,053</b>	<b>83,670</b>	<b>88,276</b>	<b>88,276</b>
<b>6.</b>	<b>Fees and commission income</b>		<b>41,224</b>	<b>42,100</b>	<b>42,100</b>	<b>36,300</b>	<b>39,037</b>	<b>39,037</b>
<b>7.</b>	<b>Fees and commission expenses</b>		<b>8,031</b>	<b>8,619</b>	<b>8,619</b>	<b>6,684</b>	<b>8,026</b>	<b>8,026</b>
<b>8.</b>	<b>Net interest, fee and commission income (5+6-7)</b>		<b>123,679</b>	<b>127,534</b>	<b>127,534</b>	<b>113,286</b>	<b>119,287</b>	<b>119,287</b>
<b>9.</b>	<b>Income from equity investments</b>		<b>(1,233)</b>	<b>(1,005)</b>	<b>(1,005)</b>	<b>1,337</b>	<b>695</b>	<b>695</b>
9.1.	Profit (loss) from investments accounted for by the equity method		(1,259)	(1,031)	(1,031)	1,292	650	650
<b>10.</b>	<b>Realised profit (loss)</b>		<b>8,170</b>	<b>8,198</b>	<b>8,198</b>	<b>8,028</b>	<b>8,183</b>	<b>8,183</b>
10.1.	From foreign exchange transactions		7,168	7,186	7,186	7,562	7,574	7,574
10.2.	From operations with debt securities		2,710	2,717	2,717	5,876	6,019	6,019
10.3.	From operations with equity investments		(405)	(402)	(402)	153	153	153
10.4.	From operations with other financial instruments		(1,303)	(1,303)	(1,303)	(5,563)	(5,563)	(5,563)

**AB BANKAS NORD/LB LIETUVA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

**Income statement (continued)**

No.	Item	Notes	Current financial year			Previous financial year		
			Parent Bank	Financial group	All group	Parent Bank	Financial group	All group
<b>11.</b>	<b>Unrealised profit (loss)</b>		<b>(961)</b>	<b>(846)</b>	<b>(846)</b>	<b>1,594</b>	<b>1,674</b>	<b>1,674</b>
11.1.	From foreign exchange transactions		(96)	(33)	(33)	4,041	4,014	4,014
11.2.	From operations with debt securities		(1,059)	(1,007)	(1,007)	(3,236)	(3,129)	(3,129)
11.3.	From operations with equity investments		555	555	555	904	904	904
11.4.	From operations with other financial instruments		(361)	(361)	(361)	(115)	(115)	(115)
<b>12.</b>	<b>Result of primary activities (8+9+10+11)</b>		<b>129,655</b>	<b>133,881</b>	<b>133,881</b>	<b>124,245</b>	<b>129,839</b>	<b>129,839</b>
<b>13.</b>	<b>Other bank income</b>		<b>4,774</b>	<b>5,757</b>	<b>5,757</b>	<b>6,014</b>	<b>32,524</b>	<b>32,524</b>
<b>14.</b>	<b>Operating expenses</b>		<b>83,345</b>	<b>84,946</b>	<b>84,946</b>	<b>88,340</b>	<b>104,109</b>	<b>104,109</b>
14.1.	Salaries, social security and other related payroll costs		50,701	52,572	52,572	55,490	67,070	67,070
14.2.	Training courses and business trips		910	923	923	1,484	1,826	1,826
14.3.	Rent and maintenance of buildings		8,367	8,388	8,388	12,206	13,042	13,042
14.4.	Transport, post and communications expenses		6,120	6,171	6,171	5,994	7,545	7,545
14.5.	Advertising and marketing		4,381	4,732	4,732	5,554	7,258	7,258
14.6.	Other operating expenses		12,866	12,160	12,160	7,612	7,368	7,368
<b>15.</b>	<b>Other bank expenses</b>		<b>17,281</b>	<b>18,371</b>	<b>18,371</b>	<b>22,246</b>	<b>36,132</b>	<b>36,132</b>
<b>16.</b>	<b>Amortisation and depreciation</b>		<b>13,828</b>	<b>15,821</b>	<b>15,821</b>	<b>11,719</b>	<b>13,408</b>	<b>13,408</b>
<b>17.</b>	<b>Expenses for other specific provisions</b>		<b>520</b>	<b>877</b>	<b>877</b>	<b>(1,449)</b>	<b>(798)</b>	<b>(798)</b>
17.1.	Provisions for other doubtful assets		304	706	706	(1,507)	(856)	(856)
17.2.	Provisions for other off-balance sheet liabilities		216	171	171	58	58	58
<b>18.</b>	<b>Result from ordinary bank activities (12+13+14-15-16-17)</b>		<b>19,455</b>	<b>19,623</b>	<b>19,623</b>	<b>9,403</b>	<b>9,512</b>	<b>9,512</b>
<b>19.</b>	<b>Result from exceptional and extraordinary activities</b>		<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>51</b>	<b>51</b>	<b>51</b>
<b>20.</b>	<b>Result before taxes (18+19)</b>		<b>19,395</b>	<b>19,563</b>	<b>19,563</b>	<b>9,454</b>	<b>9,563</b>	<b>9,563</b>
<b>21.</b>	<b>Profit tax</b>		<b>-</b>	<b>140</b>	<b>140</b>	<b>-</b>	<b>115</b>	<b>115</b>
<b>22.</b>	<b>Deferred taxes and profit tax adjustment</b>		<b>-</b>	<b>(77)</b>	<b>(77)</b>	<b>(6,000)</b>	<b>(6,006)</b>	<b>(6,006)</b>
<b>23.</b>	<b>Minority profit (loss) share</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.</b>	<b>Net profit (loss)</b>		<b>19,395</b>	<b>19,500</b>	<b>19,500</b>	<b>15,454</b>	<b>15,454</b>	<b>15,454</b>
<b>25.</b>	<b>Profit per share (LTL)</b>		<b>9.52</b>	<b>9.57</b>	<b>9.57</b>	<b>8.31</b>	<b>8.31</b>	<b>8.31</b>

T.S. Buerkle  
President

V. Barevičiūtė  
Acting chief accountant

**THE GROUP CASH FLOW STATEMENT  
31 December 2004**

**LTL thousand**

No.	Item	Current financial year	Previous financial year
<b>Cash flows from banking activities</b>			
<b>1. Income (expenses)</b>			
1.1.	Interest income	116,493	82,745
1.2.	Interest expenses	(28,984)	(27,003)
1.3.	Recovery of loans previously written-off	14,437	16,347
1.4.	Net income from operations with foreign currency	5,883	2,011
1.5.	Net income from operations with securities	2,315	5,594
1.6.	Net fee and commission income	33,481	31,011
1.7.	Expenses associated with payment of salaries	(49,895)	(69,879)
1.8.	Other income (expenses)	(45,048)	(42,012)
<b>A.</b>	<b>Result of activities</b>	<b>48,682</b>	<b>(1,186)</b>
<b>2. (Increase) Decrease in current assets</b>			
2.1.	(Increase) Decrease in reserve requirement at central bank	(7,371)	48,139
2.2.	(Increase) Decrease in loans to credit and financial institutions	(198,549)	(106,734)
2.3.	(Increase) Decrease in granted loans	(900,562)	(494,707)
2.4.	(Increase) Decrease in securities	33,130	(23,302)
2.5.	(Increase) Decrease in other current assets	(65,190)	(70,831)
<b>B.</b>	<b>Changes in current assets</b>	<b>(1,138,542)</b>	<b>(647,435)</b>
<b>3. Increase (decrease) in liabilities</b>			
3.1	Increase (decrease) in liability to central bank	-	-
3.2	Increase (decrease) in liabilities to credit and financial institutions	544,086	232,289
3.3	Increase (decrease) in deposits and letters of credit	396,385	172,632
3.4	Increase (decrease) in other liabilities	(12,778)	2,008
<b>C.</b>	<b>Changes in liabilities</b>	<b>927,693</b>	<b>406,929</b>
<b>D.</b>	<b>Net cash flows from banking activities before taxes (A+B+C)</b>	<b>(162,167)</b>	<b>(241,692)</b>
4.	Profit tax	-	-
<b>E.</b>	<b>Net cash flows from banking activities after taxes (D-4)</b>	<b>(162,167)</b>	<b>(241,692)</b>
<b>Cash flows from investment activities</b>			
5.	(Acquisition) Sale of tangible fixed assets and intangible assets	(10,991)	(17,139)
6.	(Investment in) securities and sale thereof	(73,669)	72,054
7.	Dividends received	26	45
8.	Income received	9,823	11,719
9.	Cash flows from other investment activities	-	-
<b>F.</b>	<b>Net cash flows from investment activities</b>	<b>(74,811)</b>	<b>66,679</b>
<b>Cash flows from financial activities</b>			



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**AB BANKAS NORD/LB LIETUVA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

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**The group cash flow statement (continued)**

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No.	Item	Current financial year	Previous financial year
10.	Issue of own securities /only paid up part/	221,964	171,847
11.	(Purchase of) own securities	-	-
12.	Dividends paid	-	-
13.	Interest paid	(4,838)	-
14.	Cash flows from other financial activities	21,205	51,792
<b>G.</b>	<b>Net cash flows from financial activities</b>	<b>238,331</b>	<b>223,639</b>
	<b>Increase (decrease) in cash (E+F+G)</b>	<b>1,353</b>	<b>48,626</b>
15.	Cash as of 31 December of the current financial year	240,477	239,124
16.	Cash as of 1 January of the current financial year	239,124	190,498

T.S. Buerkle  
President

V. Barevičiūtė  
Acting chief accountant

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
31 December 2004**

**LTL thousand**

No.	Shareholders' equity	Current financial year			Previous financial year			Increase (+) or decrease(-)		
		Parent Bank	Financial group	All group	Parent Bank	Financial group	All group	Parent Bank	Financial group	All group
<b>1.</b>	<b>Capital and reserves</b>									
1.1.	Registered share capital	195,117	195,117	195,117	176,585	176,585	176,585	18,532	18,532	18,532
1.2.	(purchased own shares)	-	-	-	-	-	-	-	-	-
1.3.	Share premium	-	-	-	-	-	-	-	-	-
1.4.	Reserve capital	-	-	-	2,816	2,816	2,816	(2,816)	(2,816)	(2,816)
1.5.	Previous year retained earnings or loss	(2,682)	(2,682)	(2,682)	(22,019)	(22,019)	(22,019)	19,337	19,337	19,337
1.6.	General reserves for loan losses	-	-	-	-	-	-	-	-	-
1.7.	Other general reserves	355	355	355	-	-	-	355	355	355
1.8.	Fixed assets revaluation reserve	983	983	983	2,405	2,405	2,405	(1,422)	(1,422)	(1,422)
1.9.	Financial assets revaluation reserves	-	-	-	-	-	-	-	-	-
1.10.	Restricted (distributable) profit	-	-	-	-	-	-	-	-	-
1.11.	Current year profit (loss)	19,395	19,500	19,500	15,454	15,454	15,454	3,941	4,046	4,046
<b>2.</b>	<b>Total shareholders' equity</b>	<b>213,168</b>	<b>213,273</b>	<b>213,273</b>	<b>175,241</b>	<b>175,241</b>	<b>175,241</b>	<b>37,927</b>	<b>38,032</b>	<b>38,032</b>

T.S. Buerkle  
President

V. Barevičiūtė  
Acting chief accountant

## **EXPLANATORY LETTER**

### **GENERAL INFORMATION**

AB Bankas NORD/LB Lietuva (formerly AB Lietuvos Žemės Ūkio Bankas) was registered as a public company in the Enterprise Register of the Republic of Lithuania on 13 September 1993. The change in name was registered on 2 May 2003. The Bank is licensed by the Bank of Lithuania to perform all the banking operations provided for in the Law on Banks of the Republic of Lithuania and the Statute of the Bank, except for operations with precious metals.

The Head Offices of the Bank and subsidiaries are located in Vilnius, Basanavičiaus str.26. At the end of the reporting period the Bank had 46 branches (2003: 46). As at 31 December 2004 the Bank had 1,001 employees (2003: 1,274). As at 31 December 2004 the Group had 1,026 employees (2003: 1,891).

The share capital of the Bank is divided into 2,053,861( 2003: – 1,858,794) ordinary registered shares with a par value of LTL 95 each. On 29 January 2004, a new issue of 195,067 ordinary registered shares with a par value of LTL 95 each was issued.

The shareholders of the Bank as of 31 December 2004 are listed in the table below:

	<b>Number of shares</b>	<b>Nominal value, LTL thousand</b>	<b>%</b>
Norddeutsche Landesbank Girozentrale	1,912,106	181650	93.10
EAST Capital Management	91,440	8,687	4.45
AS HANSAPANK	43,897	4,170	2.14
Other	6,418	610	0.31
<b>Total</b>	<b>2,053,861</b>	<b>195,117</b>	<b>100.00</b>

The Bank has not repurchased its shares.

At the end of the year Bank had such ratings affirmed by the international ratings agency Fitch:

- long-term borrowing rating A-,
- short-term borrowing rating – F2,
- support rating – 1,
- individual rating – D/E,
- borrowing outlook, – stable.

### **ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### **Basis of preparation**

The financial statements of the Bank are prepared in accordance with the laws of the Republic of Lithuania, legal acts of the government of the Republic of Lithuania and Lithuanian Bank, regulating financial accounting and financial statement preparation as well as the International Financial Reporting Standards.

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

Amounts shown in these financial statements are presented in the local currency, Litas (LTL). Since 2 February 2002 the exchange rate of the Litas was pegged to Euro at a rate of 3.4528 LTL = 1 EUR.

## **Consolidation**

### **(a) Subsidiaries**

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

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

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

Subsidiaries in the stand-alone financial statements are accounted for by the equity method of accounting. Investments in subsidiaries are recorded in the separate balance sheet line and net gain (loss) in the separate income statement line.

### **(b) Associates**

Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

## **Foreign currency translation**

All monetary assets and liabilities denominated in foreign currencies are translated into Lithuanian litas (LTL) at the official rate of the Bank of Lithuania prevailing at the reporting period end. Gains and losses arising from this translation are included in the income statement for the period. All non-monetary items are translated at historical rates.

Transactions denominated in foreign currency are recorded at the rate ruling on the date of the transaction. Exchange differences arising from the settlement of transactions denominated in foreign currency are charged to the income statement at the time of settlement using the exchange rate ruling at that date.

## **Derivative financial instruments**

Derivative financial instruments including foreign exchange forwards, swaps, options (both written and purchased) and other derivative financial instruments are initially recognised in the balance sheet at cost (that is fair value of amount paid or received) and subsequently re-measured at their fair value. Fair values are obtained from quoted market prices and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses reported in income.

Changes in the fair value of derivatives held for trading are included in net trading income.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in income.

### **Recognition of income and expenses**

Interest income and expense are recognised in the income statement on an accrual basis using the effective yield method based on the actual purchase price. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees 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 or discounts.

Interest due on non-performing commitments is no longer accrued when interest payment elapsed 30 days from the date when debt servicing was due. Interest accrued but not paid is provided for at the same percentage rate as the principal amount to which it relates.

Loan origination fees are accounted for as an adjustment to the effective interest rate calculation for each issued loan separately. Other commission fees, certain taxes and other similar income and expenses are recognised as gained or incurred.

Cash received during an accounting period which is not recognised as income of this period is shown in the balance sheet as deferred income (liabilities) and expenses made during an accounting period which are not recognised as expenses of an accounting period are shown in the balance sheet as deferred expenses (assets).

### **Taxation**

#### Income tax

In accordance with the Lithuanian Law on Corporate Profit Tax, the current income tax rate is 15% on taxable income. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Where an overall deferred taxation asset arises, this is only recognised in the financial statements to the extent that its recoverability can be foreseen by the management as being probable.

#### Other taxes

Road tax of 1% is imposed on income from interest margin and on income on other services. Real estate tax rate is 1% on the tax value of property, plant and equipment and foreclosed assets. Bank pays the individual income tax, compulsory social insurance premiums, land lease, land taxes, value added tax, tax for environmental pollution. The Bank is not entitled to any tax relieves.

### **Cash and cash equivalents**

Cash and cash equivalents comprise the cash, other valuables, correspondent bank account balances, correspondent account and term deposits with the Bank of Lithuania and short-term treasury bills with the maturity term of less than three months.

### **Trading securities**

Trading securities are securities which were acquired either for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value, which is based on quoted bid prices or derived from a discounted cash flow model if market price is unreliable measure. All related realised and unrealised gains and losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

#### **Securities available for sale and held to maturity**

Securities of fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Securities are initially recognised at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from discounted cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised as they arise in the income statement.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Interest earned whilst holding securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is received.

All regular way purchases and sales of securities are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

#### **Originated loans**

Loans originated by the Group by providing money directly to the borrower (or to a sub-participation agent at draw down) are categorised as loans originated by the Group and are carried at amortised cost. All loans and advances are recognised when cash is advanced to borrowers.

#### **Provisions for loan and other assets impairment**

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

#### **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation. Intangible assets are amortised using the straight-line method over their estimated useful life.

### **Fixed assets**

Fixed assets are held at historical cost plus revaluation less accumulated depreciation. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are charged to the income statement.

Acquisition of assets with the estimated useful life of less than one year and the cost of no more than LTL 1,400 are charged to the income statement during the period of their acquisition.

Fixed asset maintenance costs are charged to the income statement when they are incurred. Significant renewals of fixed assets are capitalised and depreciated over the remaining useful life period of the improved asset.

### **Leases**

#### Group company is the lessee

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

#### Group company is the lessor

#### Operating leases

Assets leased out under operating leases are included in fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned fixed assets. Rental income is recognised on a straight-line basis over the lease term.

#### Finance leases

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

### **Foreclosed assets**

Assets repossessed from defaulted loan customers and other assets kept for sales are stated at the lower of cost and estimated market value, determined by the independent valuers or the Bank's internal valuers.

### **Assets / funds under management and related liabilities**

Assets under management include loans that are managed by the Bank in the name of the Lithuanian Ministry of Finance and the Lithuanian Ministry of Agriculture. Assets under management equal funds under management and are accounted for off-balance sheet.

### **Borrowings**

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

### **Debt securities issued**

Debt securities issued are recognised initially at 'cost', being their issue proceeds net of transaction costs incurred. Subsequently debt securities issued are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the debt securities issued using the effective yield method.

Debt securities are recognised on the day of settlement.

### **Provisions for legal claims**

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

### **Transfers between elements of shareholders equity**

Transfers from revaluation reserve to reserve capital are performed when related fixed asset is fully depreciated or sold. All transfers from revaluation reserve to retained earnings are made only after the approval of the shareholders.

### **Fiduciary activities**

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

### **Fair value of assets and liabilities**

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. Where, in the opinion of the Board, fair values of financial assets and liabilities differ materially from book values, such fair values are separately disclosed in the notes to the financial statements.

### **Comparatives**

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

### **Differences between the audited reports and the reports published by the Bank**

The item "Deposits and Letter of credits" included LTL 63,087 thousand (2003: LTL 60,404 thousand) of deposits of compulsory social and health insurance fund in the audited balance sheet according to the International Financial Reporting Standards.



**NOTE 1 ACTIVITY OF THE CREDIT INSTITUTION**

Bank is engaged in the acceptance of deposits and other returnable funds and lending while assuming risk and liability related thereto, and in other activities provided for in the Law on Banks. The Bank shall execute the following operations:

- Take deposits and other returnable funds into accounts opened for the customers and handle such accounts;
- Grant and take loans;
- Issue warrants, guarantees and other indemnities;
- Issue payment documents (cheques, letters of credit, etc.) and execute operations with such documents;
- Execute business in securities (shares, bonds, etc.);
- Execute foreign exchange operations;
- Accept values from customers for custody and rent safe deposit boxes in the Bank's depository for custody of values and documents;
- Provide services and consultations with regard to banking, finance and management of customer investments;
- Issue and manage credit facilities;
- Execute other operations stipulated in the legal acts issued by the Bank of Lithuania.

The Bank owns the following subsidiaries:

- Nord/LB Lizingas UAB;
- Nord/LB Investicijų Valdymas UAB.

As at 31 December 2003 the Bank owned 100% of the share capital of the Nord/LB Draudimas UAB and Nord/LB Gyvybės draudimas UAB. In April 2004 the Bank fully disposed of its shares of NORD/LB Draudimas UAB and NORD/LB Gyvybės draudimas UAB.

As at 31 December 2004 the Bank owned 100% of the share capital of the NORD/LB Lizingas UAB and NORD/LB Investicijų valdymas UAB. The subsidiary NORD/LB Investicijų valdymas UAB was established on 19 August 2003. The Bank is the sole shareholder of these companies from their establishment.

Investments in subsidiaries are listed in the table below:

	Share (%)	Nominal value	Acquisition cost	Carrying value	
				2004	2003
Investments in consolidated subsidiaries:					
Nord/LB lizingas UAB	100	2,000	2,200	4,767	4,355
Nord/LB draudimas UAB	100	6,000	5,000	-	9,259
Nord/LB gyvybės draudimas UAB	100	4,000	5,000	-	5,538
Nord/LB investicijų valdymas UAB	100	2,000	4,000	2,532	3,172
<b>Total (Bank)</b>	-	-	-	<b>7,299</b>	<b>22,324</b>

The main activities of the subsidiary NORD/LB Lizingas UAB are finance and operating lease.

The subsidiary NORD/LB Investicijų valdymas UAB is primarily involved in the business of administrating the pension funds, investment in securities, fund management and financial advisory services. NORD/LB Investicijų valdymas UAB manages the following pension funds: NORD/LB Pension funds 1, 2, 3 and NORD/LB papildoma pensija. In addition the Company is also managing NORD/ LB Money market fund and individual customers' funds. As at 31 December 2004, assets allocated to NORD/LB Money market fund amounted to LTL 26.3 million, NORD/LB Pension funds 1, 2, 3 and NORD/LB papildoma pensija - LTL 9.8 million. Value of funds in the individually managed securities portfolios of financial institutions amounted to LTL 24.7 million.

**AB BANKAS NORD/LB LIETUVA  
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**NOTE 2 CLAIMS ON CENTRAL BANKS**

LTL thousand

	Current financial year		Previous financial year	
	Bank	Group	Bank	Group
<b>Claims on Central Bank:</b>	<b>127,894</b>	<b>127,894</b>	<b>122,866</b>	<b>122,866</b>
correspondent account with Central bank	-	-	2,641	2,641
target deposits	-	-	-	-
required reserves	127,894	127,894	120,225	120,225
repurchase transactions	-	-	-	-

Required reserves are calculated on a monthly basis as a 6% share of the average balance of deposits of the previous month. The required reserves are held with the Bank of Lithuania in the form of non-interest bearing deposits under the Bank of Lithuania's regulations. Required reserves in foreign currency are not available to finance the Bank's day-to-day operations.

Specific provisions due to the current country risk were not made.

**NOTE 3 CLAIMS ON BANKS, CREDIT AND FINANCIAL INSTITUTIONS**

LTL thousand

	Current financial year		Previous financial year	
	Bank	Group	Bank	Group
Correspondent bank accounts	35,392	35,392	6,370	6,370
<b>Deposits</b>	<b>254,133</b>	<b>254,133</b>	<b>114,332</b>	<b>115,782</b>
Repurchase transactions	53,490	53,490	-	-
<b>Loans:</b>				
short term (up to 1 year)	3	3	861	861
long term (over 1 year)	103,445	43,363	163,240	36,356
<b>Total</b>	<b>446,463</b>	<b>386,381</b>	<b>284,803</b>	<b>159,369</b>
(Provisions)				
(specific provisions)	-	-	-	-
(general provisions)	103	43	-	-
<b>Net value</b>	<b>446,360</b>	<b>386,338</b>	<b>284,803</b>	<b>159,369</b>

The largest loans granted to financial institutions consisted of the following (principals outstanding):

- Loans to NORD/LB Lizingas UAB, amounting to LTL 60,082 thousand (2003: LTL 125,384 thousand) falling due for repayment in 2005 – 2007;
- Loan to Ūkio Banko Lizingas UAB amounting to LTL 15,000 thousand (2003:LTL 15,000 thousand) and falling due for repayment in 2006;
- Loan to the Baltic-American Enterprise Fund, a US non-profit corporation amounting to LTL 23,193 thousand (2003:LTL 16,406 thousand) falling due for repayment in 2007.

Throughout 2004 movement in general provisions was as follows:

- Increase in Bank general provisions – LTL 103 thousand (LTL 170 thousand increase in risk, net and LTL 67 thousand decrease in risk, net).
- Increase in group general provisions – LTL 43 thousand - increase in risk, net.

**AB BANKAS NORD/LB LIETUVA**  
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**NOTE 4 LOANS TO CUSTOMERS**

LTL thousand

	Current financial year		Previous financial year	
	Bank	Group	Bank	Group
<b>Loans:</b>				
short term (up to 1 year)	305,266	305,266	286,027	286,027
long term (over 1 year)	2,179,141	2,179,141	1,314,268	1,314,268
Reverse repurchase transactions	1,164	1,164	-	-
Liabilities purchase	7,676	8,009	4,212	4,920
Discount bills of exchange:				
short term	-	-	-	-
long term	-	-	-	-
<b>Total</b>	<b>2,493,247</b>	<b>2,493,580</b>	<b>1,604,507</b>	<b>1,605,215</b>
(Provisions)				
(specific provisions)	(15,780)	(15,965)	(12,893)	(13,020)
(general provisions)	(4,382)	(4,382)	(8,606)	(8,606)
<b>Fair value</b>	<b>2,473,085</b>	<b>2,473,233</b>	<b>1,583,008</b>	<b>1,583,589</b>

Throughout 2004 movement in provisions was as follows:

- Increase in Bank provisions – LTL 3,760 thousand (LTL 30,536 thousand increase in risk, net and LTL 26,776 thousand decrease in risk, net).
- Increase in group provisions – LTL 3,818 thousand (LTL 30,595 thousand increase in risk, net and LTL 26,776 thousand decrease in risk, net).
- Decrease in Bank (Group) provisions for loans written off – LTL 5,092 thousand.
- Decrease in Bank (Group) provisions due to exchange rate change – LTL 5 thousand.

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**NOTE 5 LOANS BY INDUSTRY SECTORS**

LTL thousand

Granted loans by industry sectors	Current financial year							
	Short term loans		Long term loans		Total loans		Provisions	
	Bank	Group	Bank	Group	Bank	Group	Bank	Group
To legal entities and persons without legal entity status:								
Agriculture, hunting and forestry	15,913	15,913	124,117	124,117	140,030	140,030	1,999	1,999
Fishery	150	150	168	168	318	318	3	3
Mining and quarrying	3,479	3,479	24,035	24,035	27,514	27,514	48	48
Manufacturing	136,460	136,460	339,287	339,287	475,747	475,747	3,367	3,367
Power, gas and water supply	23,479	23,479	72,523	72,523	96,002	96,002	136	136
Construction	11,196	11,196	71,647	71,647	82,843	82,843	118	118
Wholesale and retail trade, repair of cars and motorcycles, repair of personal and household articles	46,002	46,002	274,322	274,655	320,324	320,657	2,299	2,484
Hotels and restaurants	1,612	1,612	32,678	32,678	34,290	34,290	2,757	2,757
Transport, storage and communications	19,344	19,344	29,402	29,402	48,746	48,746	149	149
Real estate, rent and other business activities	21,156	21,156	107,037	107,037	128,193	128,193	163	163
State governance and defence; compulsory social security	12,099	12,099	72,164	72,164	84,263	84,263	78	78
Education	93	93	3,417	3,417	3,510	3,510	14	14
Health and social care	1,001	1,001	61,898	61,898	62,899	62,899	442	442
Other utility, social and personal services	6,569	6,569	40,200	40,200	46,769	46,769	473	473
Other industry sectors	-	-	-	-	-	-	-	-
<b>Total</b>	<b>298,553</b>	<b>298,553</b>	<b>1,252,895</b>	<b>1,253,228</b>	<b>1,551,448</b>	<b>1,551,781</b>	<b>12,046</b>	<b>12,231</b>
Loans not attributed to industry sectors (individuals and housing associations)	11,033	11,033	930,766	930,766	941,799	941,799	8,116	8,116
<b>Total loans granted</b>	<b>309,586</b>	<b>309,586</b>	<b>2,183,661</b>	<b>2,183,994</b>	<b>2,493,247</b>	<b>2,493,580</b>	<b>20,162</b>	<b>20,347</b>

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LTL thousand

Granted loans by industry sectors	Previous financial year							
	Short term loans		Long term loans		Total loans		Provisions	
	Bank	Group	Bank	Group	Bank	Group	Bank	Group
To legal entities and persons without legal entity status:								
Agriculture, hunting and forestry	33,049	33,049	90,314	90,314	123,363	123,363	2,001	2,001
Fishery	100	100	401	401	501	501	3	3
Mining and quarrying	2,454	2,454	22,629	22,629	25,083	25,083	192	192
Manufacturing	106,385	106,727	235,358	235,358	341,743	342,085	4,451	4,451
Power, gas and water supply	22,765	22,765	26,347	26,347	49,112	49,112	482	482
Construction	5,611	5,611	31,396	31,396	37,007	37,007	373	373
Wholesale and retail trade, repair of cars and motorcycles, repair of personal and household articles	40,399	40,765	147,262	147,262	187,661	188,027	1,911	2,038
Hotels and restaurants	564	564	27,937	27,937	28,501	28,501	2,884	2,884
Transport, storage and communications	21,885	21,885	36,139	36,139	58,024	58,024	633	633
Real estate, rent and other business activities	16,008	16,008	49,374	49,374	65,382	65,382	1,197	1,197
State governance and defence; compulsory social security	15,586	15,586	65,411	65,411	80,997	80,997	-	-
Education	1,063	1,063	8,055	8,055	9,118	9,118	27	27
Health and social care	930	930	20,502	20,502	21,432	21,432	371	371
Other utility, social and personal services	11,406	11,406	42,038	42,038	53,444	53,444	477	477
Other industry sectors	-	-	-	-	-	-	-	-
<b>Total</b>	<b>278,205</b>	<b>278,913</b>	<b>803,163</b>	<b>803,163</b>	<b>1,081,368</b>	<b>1,082,076</b>	<b>15,002</b>	<b>15,129</b>
Loans not attributeded to industry sectors (individuals and housing associations)	11,063	11,063	512,076	512,076	523,139	523,139	6,497	6,497
<b>Total loans granted</b>	<b>289,268</b>	<b>289,976</b>	<b>1,315,239</b>	<b>1,315,239</b>	<b>1,604,507</b>	<b>1,605,215</b>	<b>21,499</b>	<b>21,626</b>

As at 31 December 2004, the column "Provisions" included LTL 4,382 thousand (2003: LTL 8,606 thousand) of general provisions for loans.

Maximum exposures ratio is calculated in accordance with "Rules of maximum exposure and large exposure ratios" approved by the Board of the Bank of Lithuania by Resolution No. 91 dated 04 July 2002 (with later amendments). Maximum exposure ratio should not exceed 25 per cent of share capital of the Bank. In 2004, the Bank followed the requirements of the Bank of Lithuania and it accounted for 21.2 per cent of the Bank's calculated capital as at 31 December 2004.

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NOTE 6 LEASING

LTL thousand

	Up to one year	From 1 to 5 years	Over 5 years	Total
<u>Gross investments in leasing:</u>				
Balance at 31 December 2003	47,354	90,306	9,725	147,385
<b>Change during 2004</b>	32,114	55,175	2,041	89,330
<b>Balance at 31 December 2004:</b>	79,468	145,481	11,766	236,715
<u>Unearned finance income on finance leases:</u>				
Balance at 31 December 2003	5,441	6,990	787	13,218
Change during 2004	2,819	3,537	(141)	6,215
<b>Balance at 31 December 2004:</b>	8,260	10,527	646	19,433
<u>Net investments in leasing before provisions:</u>				
<b>31 December 2003</b>	41,913	83,316	8,938	134,167
<b>31 December 2004</b>	71,208	134,954	11,120	217,282
<u>Changes in provisions:</u>				
Balance as at 31 December 2002	250	429	34	713
<b>Increase (decrease) in provisions</b>	79	332	51	462
Balance as at 31 December 2003	329	761	85	1,175
Increase (decrease) in provisions in 2004	114	149	(10)	253
<b>Balance as at 31 December 2004</b>	443	910	75	1,428
<u>Net investments in leasing after provisions:</u>				
<b>31 December 2003</b>	41,584	82,555	8,853	132,992
<b>31 December 2004</b>	70,765	134,044	11,045	215,854

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Segment information	LTL thousand	
	<b>2004</b>	<b>2003</b>
<b>By type of lessees:</b>		
Corporate enterprises	167,930	111,301
Individuals	44,971	9,821
Governmental institutions and public organisations	4,381	13,045
<b>Net investments before provisions</b>	<b>217,282</b>	<b>134,167</b>
<b>By type of assets:</b>		
Cargo vehicles	113,604	45,232
Real estate	44,259	29,477
Manufacturing facilities	35,887	28,460
Automobiles	18,771	27,313
Agricultural machinery	4,031	2,913
Office equipment and household appliances	730	772
<b>Net investments before provisions</b>	<b>217,282</b>	<b>134,167</b>

All lessees operate in Lithuania.

**NOTE 7 DEBT AND EQUITY SECURITIES**

**Debt securities**

	Current financial year		Previous financial year	
	Bank	Group	Bank	Group
Government bonds of the Republic of Lithuania	229,105	229,831	226,967	241,420
Government bonds of the Republic of Germany	69,509	69,509	-	-
Banks	20,377	20,377	-	296
Corporate bonds	5,095	5,095	13,831	15,130
<b>Total</b>	<b>324,086</b>	<b>324,812</b>	<b>240,798</b>	<b>256,846</b>
(Provisions) (general provisions)	(14)	(14)	-	-
<b>Fair value</b>	<b>324,072</b>	<b>324,798</b>	<b>240,798</b>	<b>256,846</b>

**Equity securities**

	Current financial year		Previous financial year	
	Bank	Group	Bank	Group
Nord/LB lizingas UAB	4,767	-	4,355	-
Nord/LB draudimas UAB	-	-	9,259	-
Nord/LB gyvybės draudimas UAB	-	-	5,538	-
Nord/LB investicijų valdymas UAB	2,532	-	3,172	-
Alita AB	-	-	98	98
Lietuvos telekomas AB	-	-	785	785
Others	37	37	52	52
<b>Total</b>	<b>7,336</b>	<b>37</b>	<b>23,259</b>	<b>935</b>

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**NOTE 8 FINANCIAL ASSETS**

LTL thousand

	Current financial year		Previous financial year	
	Bank	Group	Bank	Group
Trading securities				
equity securities	-	-	-	-
debt securities	127,845	127,845	99,440	99,440
treasury bills	14,140	14,140	36,525	51,115
loans	-	-	-	-
Securities held-to-maturity				
debt securities	107,969	107,969	74,437	74,437
bonds	-	-	-	-
Securities available-for-sale				
equity securities	37	37	935	935
debt securities	88,258	88,984	66,921	82,969
treasury bills	447	892	-	-
Loans and receivables				
loans	2,465,409	2,465,409	1,578,796	1,578,796
receivables	7,676	7,824	4,212	4,793

**NOTE 9 INTANGIBLE ASSETS**

LTL thousand

	Bank	Group
Book value at 31 December of the previous financial year	12,765	14,018
Changes throughout the year:		
acquisitions	2,076	2,129
write-offs	(3,235)	(4,281)
Balance at 31 December of the current financial year	11,606	11,866
Accumulated amortisation at 31 December of the previous financial year	(9,459)	(10,137)
Amortisation calculated throughout the year	(1,146)	(1,220)
Amortisation for write-offs	3,235	3,830
Accumulated amortisation at 31 December of the current financial year	(7,370)	(7,527)
<b>Net book value:</b>		
<b>Net book value at 31 December of the previous financial year</b>	<b>3,306</b>	<b>3,881</b>
<b>Net book value at 31 December of the current financial year</b>	<b>4,236</b>	<b>4,339</b>
Economic life (in years)	5	3-5

Intangible assets include purchased computer software and software licences.



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**NOTE 10 FIXED ASSETS**

LTL thousand

	Buildings and premises		Vehicles		Office equipment		Construction in progress		Total	
	Bank	Group	Bank	Group	Bank	Group	Bank	Group	Bank	Group
Book value at 31 December of the previous year	93,748	94,461	2,907	8,999	63,415	67,940	15	15	160,085	171,415
Changes throughout the year:										
of which: acquisitions	620	620	-	3,451	8,232	8,297	550	550	9,402	12,918
of which: write-offs	(5,698)	(6,411)	(2,807)	(3,734)	(5,987)	(8,148)	(525)	(525)	(15,017)	(18,818)
Book value at 31 December of the current financial year	88,670	88,670	100	8,716	65,660	68,089	40	40	154,470	165,515
Accumulated depreciation at 31 December of the previous financial year	(13,043)	(13,049)	(2,483)	(3,943)	(36,257)	(37,328)	-	-	(51,783)	(54,320)
Calculated throughout the year	(2,846)	(2,846)	(100)	(1,257)	(9,736)	(10,498)	-	-	(12,682)	(14,601)
Depreciation for write-offs	2,108	2,114	2,554	3,040	5,460	6,393	-	-	10,122	11,547
Accumulated depreciation at 31 December of the current financial year	(13,781)	(13,781)	(29)	(2,160)	(40,533)	(41,433)	-	-	(54,343)	(57,374)
<b>Net book value:</b>										
<b>at 31 December of the previous financial year</b>	<b>80,705</b>	<b>81,412</b>	<b>424</b>	<b>5,056</b>	<b>27,158</b>	<b>30,612</b>	<b>15</b>	<b>15</b>	<b>108,302</b>	<b>117,095</b>
<b>at 31 December of the current financial year</b>	<b>74,889</b>	<b>74,889</b>	<b>71</b>	<b>6,556</b>	<b>25,127</b>	<b>26,656</b>	<b>40</b>	<b>40</b>	<b>100,127</b>	<b>108,141</b>
Economic life (in years)	50	50	6-10	6-10	3-27	3-27	-	-	-	-

No fixed assets are pledged to a third party.

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**NOTE 11 OTHER ASSETS**

LTL thousand

	Current financial year		Previous financial year	
	Bank	Group	Bank	Group
Foreclosed assets	1,533	1,533	5,001	5,001
Receivables from foreclosed assets sold on instalment basis	1,686	1,686	3,372	3,372
Deferred tax asset	6,000	6,083	6,000	6,006
Transit accounts	3	3	5	5
Other assets	5,716	11,449	8,237	25,335
(Specific provisions)	(326)	(1,432)	(2,966)	(3,886)
(General provisions)	(3)	(3)	-	-
<b>Total assets, net</b>	<b>14,609</b>	<b>19,319</b>	<b>19,649</b>	<b>35,833</b>

The movement of the foreclosed assets is as follows:

LTL thousand

	Commercial premises	Industrial premises	Dwelling premises	Construction in progress	Other	Total
<u>Cost</u>						
At 31 December 2003	708	1,854	1,727	219	493	5,001
Acquisitions	34	101	305	0	530	970
Disposals	535	1,148	1,398	160	448	3,689
At 31 December 2004	207	807	634	59	575	2,282
<u>Revaluation expenses*</u>						
At 31 December 2003	317	1,547	431	45	238	2,578
<u>Increase (decrease) of revaluation expenses</u>						
For disposals	298	964	386	0	181	1,829
At 31 December 2004	19	583	45	45	57	749
<u>Foreclosed assets, net</u>						
<b>At 31 December 2003</b>	<b>391</b>	<b>307</b>	<b>1,296</b>	<b>174</b>	<b>255</b>	<b>2,423</b>
<b>At 31 December 2004</b>	<b>188</b>	<b>224</b>	<b>589</b>	<b>14</b>	<b>518</b>	<b>1,533</b>

\*The provisions for foreclosed assets were not calculated from 30 June 2004, because of the changed procedure for accounting of the foreclosed assets disposals and maintenance from 08 June 2004. Assets repossessed from defaulted loan customers are stated at the lower of cost and estimated market value, determined by the independent valuers or the Bank's internal valuers. Any amount of impairment is recognized as revaluation expenses.

NOTE 12 PROVISIONS FOR ASSETS AND OFF BALANCE SHEET ITEMS

LTL thousand

	Current financial year		Previous financial year	
	Bank	Group	Bank	Group
<b>Specific provisions for assets items:</b>				
accrued income	251	251	145	145
foreclosed assets	-	-	2,578	2,578
other assets	326	1,432	388	1,308
<b>Total specific provisions on assets</b>	<b>577</b>	<b>1,683</b>	<b>3,111</b>	<b>4,031</b>
<b>Specific provisions for off balance sheet liabilities:</b>				
guaranties and warranties	67	67	-	-
letters of credit	1	1	-	-
credit commitments (except guaranties and warranties)	441	441	-	-
other off balance sheet liabilities	-	-	712	712
<b>Total specific provisions for off balance sheet liabilities</b>	<b>509</b>	<b>509</b>	<b>712</b>	<b>712</b>
<b>General provisions for off balance sheet risk</b>				
guaranties	25	25	-	-
credit commitments (except guaranties and warranties)	384	339	-	-
<b>Total general provisions for off balance sheet risk</b>	<b>409</b>	<b>364</b>	-	-

NOTE 13 DUE TO BANKS AND OTHER CREDIT AND FINANCIAL INSTITUTIONS

LTL thousand

	Current financial year		Previous financial year	
	Bank	Group	Bank	Group
Correspondent accounts	859	859	1,148	1,148
Deposits	517,552	513,936	384,072	382,430
deposits pledged to secure loans granted	-	-	-	-
Repurchase transactions	-	-	-	-
Loans				
short term (up to 1 year)	-	-	-	-
long term (over 1 year)	387,674	548,229	118,096	135,360
<b>Total</b>	<b>906,085</b>	<b>1,063,024</b>	<b>503,316</b>	<b>518,938</b>

NOTE 14 DEPOSITS, LETTERS OF CREDIT

LTL thousand

	Current financial year		Previous financial year	
	Bank	Group	Bank	Group
<b>Demand deposits</b>	<b>1,196,053</b>	<b>1,196,053</b>	<b>855,893</b>	<b>855,893</b>
<b>Term deposits</b>	<b>702,500</b>	<b>702,500</b>	<b>657,598</b>	<b>657,598</b>
short term (up to 1 year)	614,707	614,707	583,924	583,924
long term (over 1 year)	87,793	87,793	73,674	73,674
<b>Total</b>	<b>1,898,553</b>	<b>1,898,553</b>	<b>1,513,491</b>	<b>1,513,491</b>

**NOTE 15 SPECIAL AND LENDING FUNDS**

LTL thousand

	<b>Current financial year</b>		<b>Previous financial year</b>	
	Bank	Group	Bank	Group
Funds of international organisations	1,986	1,986	1,438	1,438
Funds of the Government of the Republic of Lithuania	8,931	8,931	839	839
Deposits of compulsory social and health insurance funds	63,087	63,087	60,404	60,404
<b>Total</b>	<b>74,004</b>	<b>74,004</b>	<b>62,681</b>	<b>62,681</b>

Special funds have to be available to their providers on their first demand.

Lending funds, including soft loans that are serviced by the Bank under management contracts, are repaid under the terms provided for in the management contracts, i.e. amounts repaid by the borrowers are transferred to relevant funds on a monthly basis.

**NOTE 16 DEBT SECURITIES ISSUED**

LTL thousand

	<b>Current financial year</b>		<b>Previous financial year</b>	
	Bank	Group	Bank	Group
Debentures denominated in EUR with floating interest rate EURIBOR+0.52 p.a., maturity December 2006	-	-	171,847	171,847
Mortgage bonds denominated in LTL with floating interest rate VILIBOR+0.23 p.a., maturity July 2007	49,976	49,803	-	-
Debentures denominated in EUR with floating interest rate EURIBOR+0.32 p.a., maturity July 2007	344,008	344,008	-	-
<b>Total</b>	<b>393,984</b>	<b>393,811</b>	<b>171,847</b>	<b>171,847</b>

**NOTE 17 SUBORDINATED LOANS**

**Subordinated loans**

LTL thousand

	<b>Current financial year</b>		<b>Previous financial year</b>	
	Bank	Group	Bank	Group
European Bank for Reconstruction and Development (EBRD)	37,981	37,981	26,481	26,481
Deutsche Investitions- und Entwicklungsgesellschaft, mbH (DEG)	-	-	8,827	8,827
Norddeutsche Landesbank Girozentrale, Hannover	51,792	51,792	51,792	51,792
<b>Total</b>	<b>89,773</b>	<b>89,773</b>	<b>87,100</b>	<b>87,100</b>

All subordinated loans are denominated in Euro (EUR).

In August 2004, the Bank and EBRD signed a subordinated loan agreement that replaced the previous subordinated loan agreement. According to a new agreement the Bank received a further EUR 3,330 thousand loan in September 2004. This loan is repayable in full in 2014. Interest rate on the loan is equal to 6 month LIBOR + 1.4 p.a.

The parent bank Norddeutsche Landesbank Girozentrale granted subordinated loan in 2003 for the period of 10 years. The interest rate on this loan is equal to 6-month EURIBOR + 0.61 p.a.

**Other liabilities**

LTL thousand

	<b>Current financial year</b>		<b>Previous financial year</b>	
	Bank	Group	Bank	Group
Transit accounts	9,242	9,242	618	618
Customers' funds for acquisition of securities	412	412	517	517
Specific provisions for off balance sheet items	509	509	712	712
General provisions for off balance sheet risk	409	364	-	-
Other liabilities	7,615	12,721	9,891	37,565
<b>Total</b>	<b>18,187</b>	<b>23,248</b>	<b>11,738</b>	<b>39,412</b>

**NOTE 18 PROFIT DISTRIBUTION**

LTL thousand

	<b>Current financial year</b>	<b>Previous financial year</b>
Retained earnings as of the previous year	(2,682)	(22,019)
Net profit (loss) of the current financial year	19,395	15,454
Transfers from reserves	355	3,883
reserve capital	-	2,816
other reserves	355	1,067
Distributable profit (loss)	17,068	(2,682)
Distribution of the profit (loss):		-
compulsory deductions to mandatory reserve	853	-
deductions to general reserves for losses	-	-
deductions to reserve capital	-	-
deductions to other reserves	-	-
Retained earnings	16,215	(2,682)

The balance of revaluation reserve related to the assets, which have been disposed of or fully depreciated, amounted to LTL 355 thousand at 31 December 2004. Management of the Bank plans to propose to the shareholders' meeting to approve the transfer of this amount to retained earnings. Also Management of the bank plans to propose to the shareholders' meeting to approve the transfer of LTL 853 thousand to compulsory deductions to mandatory reserve and the rest LTL 16,215 thousand to transfer to the next financial year.

The management of the Bank also plans to propose to the shareholders' meeting to approve the transfer of LTL 97 thousand for annual payments (tantiems) to the members of the Supervisory Council of the Bank. This amount was accumulated as expenses for the year 2004.

**NOTE 19 OTHER OFF BALANCE SHEET LIABILITIES**

**Other off balance sheet liabilities**

LTL thousand

	<b>Current financial year</b>		<b>Previous financial year</b>	
	Bank	Group	Bank	Group
<b>Liabilities, of which:</b>				
commitment to pay to ensure settlements by payment cards	380	380	511	511
commitment to acquire assets under agreements with suppliers	876	2,056	-	1,731
commitment to grant finance lease	-	7,987	-	15,380
liabilities that may arise as a result of pending court proceedings	-	-	712	712
share of risk with parent bank Nord/LB, Hannover due to the granted loan for the State company "Ligonių kasos"	-	-	30,000	30,000
spots	6,768	6,768	13,505	13,505
commitment under factoring agreements	-	-	2,896	2,896
rent of cars and computers	2,202	-	3,348	2,241
<b>Total liabilities</b>	<b>10,226</b>	<b>17,191</b>	<b>50,972</b>	<b>66,976</b>

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**Derivative financial instruments**

LTL thousand

	<b>Currency purchase, sale</b>	<b>Interest rate</b>	<b>Equity related</b>	<b>Others</b>
<b>Claims</b>	<b>24,740</b>	<b>89,773</b>	-	-
forwards	24,619	-	-	-
swaps	121	89,773	-	-
put options	-	-	-	-
call options	-	-	-	-
futures	-	-	-	-
Other claims	-	-	-	-
<b>Liabilities</b>	<b>23,874</b>	<b>89,773</b>	-	-
forwards	23,753	-	-	-
swaps	121	89,773	-	-
put options	-	-	-	-
call options	-	-	-	-
futures	-	-	-	-
Other liabilities	-	-	-	-

**NOTE 20 OTHER INTEREST INCOME. OTHER INTEREST EXPENSES**

LTL thousand

	<b>Current financial year</b>		<b>Previous financial year</b>	
	<b>Bank</b>	<b>Group</b>	<b>Bank</b>	<b>Group</b>
Other interest income	-	-	-	-
Other interest expenses	-	-	-	-

**NOTE 21 CAPITAL ADEQUACY**

The capital adequacy ratios of the Bank and Group are calculated in accordance with the capital adequacy rules approved by Resolution No.172 of the Board of the Bank of Lithuania dated 21 December 2000 (with later amendments), are presented in the table below:

(%)

	<b>31 12 2003</b>		<b>31 03 2004</b>		<b>30 06 2004</b>		<b>30 09 2004</b>		<b>31 12 2004</b>	
	<b>Bank</b>	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>	<b>Group</b>
Capital adequacy ratio	11.26	12.18	10.84	11.54	10.90	10.85	11.65	11.37	11.65	11.29

The capital adequacy ratio set by the Bank of Lithuania, which is at least 10 percent up to 1 December 2004 and 8 percent after this date, is calculated as the Bank's capital base to risk-weighted asset and off balance sheet items ratio.

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**NOTE 22 LIQUIDITY**

	31 12 2003	2004											
		31 01	29 02	31 03	30 04	31 05	30 06	31 07	31 08	30 09	31 10	30 11	31 12
Bank	38.34	33.82	33.27	34.32	32.35	33.14	31.47	32.31	32.88	32.61	32.15	32.69	41.71
Group	39.92	-	-	35.78	-	-	31.45	-	-	32.23	-	-	42.12

(%)

The liquidity ratio of the Bank and Group is calculated in accordance with the rules approved by the Board of the Bank of Lithuania: up to 1 May 2004 in accordance with “Rules for Calculation of Bank Liquidity Ratio” approved by Resolution No. 40 dated 8 April 1999 (with later amendments), after 1 May 2004 – in accordance with “Rules for Calculation of Bank Liquidity Ratio” approved by Resolution No. 1 dated 29 January 2004. The bank of Lithuania requires that the liquidity ratio should be at least 30 per cent.

In 2004, liquidity of the Bank was sufficient and the liquidity requirement was met.

The Management of the Bank follows closely the dynamics of liquid assets and liabilities and takes necessary actions in order to maintain sufficient liquidity of the Bank.

**NOTE 23 FOREIGN CURRENCY POSITIONS**

The Bank’s open positions of prevailing currencies were as follows:

	Overall open position		USD		EUR		NOK		LVL		SEK	
	Equivalent in LTL thousand	% of bank’s capital	Equivalent in LTL thousand	% of bank’s capital	Equivalent in LTL thousand	% of bank’s capital	Equivalent in LTL thousand	% of bank’s capital	Equivalent in LTL thousand	% of bank’s capital	Equivalent in LTL thousand	% of bank’s capital
31 12 2003	22,030.81	10.62	-98.69	-0.05	21,149.88	10.20	-22.57	-0.01	270.07	0.13	241.87	0.12
31 01 2004	19,533.05	9.45	512.28	0.25	18,287.13	8.84	75.22	0.04	199.45	0.10	90.20	0.04
29 02 2004	30,147.71	14.63	711.46	0.35	28,812.93	13.98	32.55	0.02	210.58	0.10	95.59	0.05
31 03 2004	12,077.20	5.75	285.42	0.14	11,289.72	5.37	55.23	0.03	237.96	0.11	76.50	0.04
30 04 2004	21,811.20	9.04	136.48	0.06	20,987.50	8.70	97.52	0.04	186.66	0.08	62.04	0.03
31 05 2004	29,502.91	12.20	640.24	0.26	28,184.86	11.66	91.47	0.04	219.66	0.09	32.25	0.01
30 06 2004	30,352.02	12.66	211.59	0.09	29,040.53	12.11	170.21	0.07	104.47	0.04	116.72	0.05
31 07 2004	25,126.37	10.41	339.92	0.14	23,760.93	9.84	150.56	0.06	283.20	0.12	181.38	0.08
31 08 2004	30,473.63	11.58	246.57	0.09	29,888.33	11.36	56.14	0.02	167.73	0.06	5.40	0.00
30 09 2004	31,831.88	11.47	318.89	0.11	31,334.19	11.30	12.64	0.00	11.32	0.00	14.39	0.01
31 10 2004	5,090.82	1.82	244.96	0.08	4,581.35	1.63	39.67	0.01	35.68	0.01	10.03	0.00
30 11 2004	36,863.48	13.02	180.86	0.06	36,459.88	12.87	15.23	0.01	10.38	0.00	26.34	0.01
31 12 2004	417.00	0.14	240.00	0.08	-	-	5.00	0.00	28.00	0.01	7.00	0.00

The open positions are calculated in accordance with the rules approved by the Board of the Bank of Lithuania: up to 1 December 2004 in accordance with the “Rules for Calculating the Ratio of Large Foreign Exchange and Precious Metals Exposure” approved by Resolution No. 11 dated 16 January 1997 (with later amendments), after 1 December 2004 in accordance with the capital adequacy rules approved by Resolution No. 172 dated 21 December 2000 (with later amendments). The overall open position should not exceed 25 per cent of the bank’s capital and the open position of each individual foreign currency should not exceed 15 per cent of the bank’s capital. After 1 December 2004 the overall open position of the bank’s capital and the open position of each individual foreign currency are calculated except EUR.



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**NOTE 24 POST BALANCE SHEET EVENTS**

On 13 January 2005, the Bank announced an issue of 50,000 debentures with a nominal value LTL 100 each. Coupon interest on the bonds is payable twice a year at the fixed rate of 3.25% p.a. The bonds are being sold through the Banks subdivisions from 17 January 2005 to 16 March 2005.

**NOTE 25 RELATED PARTY TRANSACTIONS**

For these financial statements parties are considered to be related if one party has an ability to control or significantly influence the other party when making decisions re financial or operating activities.

In the normal course of business, the Bank enters into banking transactions with large shareholders, members of the Council and the Board as well as subsidiaries.

During 2004, a number of banking transactions were entered into with related parties in the normal course of business. These include settlements, loans, deposits and foreign currency transactions.

The balances of loans granted by the Bank to related parties, except for subsidiaries and associated companies, and deposits accepted as at the end of the period and their average annual interest rates (calculated as weighted average):

	<b>Current financial year</b>				<b>Previous financial year</b>			
	Deposits		Loans		Deposits		Loans	
	Balance, (LTL thousand)	Average annual interest rates (%)	Balance, (LTL thousand)	Average annual interest rates (%)	Balance, (LTL thousand)	Average annual interest rates (%)	Balance, (LTL thousand)	Average annual interest rates (%)
Management of the Bank	530	2.40	2,942	3.22	2,637	1.97	256	3.12
Related parties	221	0.61	1,238	3.59	243	0.84	2,589	4.16

In 2004, the total remuneration of the Group management approximated LTL 3,213 thousand (in 2003 – LTL 3,286 thousand). In 2004 the total remuneration of the Bank's management approximated LTL 2,699 thousand (in 2003 – LTL 2,792 thousand).

The following balances were outstanding with NORD/LB Group companies as at 31 December 2004:

	LTL thousand	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Correspondent bank accounts	4,721	1,696
Derivative financial instruments	-	17
Term deposits	95,054	80,795
<b>Liabilities</b>		
Correspondent bank accounts	68	87
Overnight deposits	22,811	-
Derivative financial instruments	1,666	879
Term deposits	120,848	69,056
Subordinated loans	51,792	51,792

Transactions with other companies within NORD/LB Group are entered into at interest rates comparable to those of the market.

**NOTE 26 SECURITIES FOR NON - PERFORMING (RISK GROUPS III, IV, V) AND POSSIBLE RISK (RISK GROUP II) LOANS**

Securities for non-performing loans (risk groups III, IV and V) and possible risk (risk group II) loans as at 31 December 2004 are presented in the table below:

LTL thousand

	<b>Value of assets or other security</b>	<b>Value of assets or other securities for possible risk (risk group II) loans</b>	<b>Value of assets or other securities for non-performing loans (risk groups III, IV and V)</b>
<b>Secured amount of loans</b>	2,009,144	159,482	43,250
<b>Collateral:</b>	3,735,755	408,048	78,759
of wich:			
buildings	1,006,564	68,027	16,755
land	119,555	15,659	3,138
vehicles	75,509	5,642	610
construction in progress	214,213	20,638	3,606
securities	86,413	10,584	41
other fixed assets (real estate)	1,383,841	160,432	32,715
other assets	837,220	126,957	21,894
deposits	12,440	109	
Guaranties/warranties/ for the outstanding principal	1,000,310	186,969	19,262
<b>Total collateral and guaranties (warranties)</b>	<b>4,736,065</b>	<b>595,017</b>	<b>98,021</b>

The physical, functional and economic condition of the security (guarantees) for watch and doubtful loans does not change (or the changes are very insignificant). The changes in the established market value of the security (guarantees) are insignificant. The current liquidity of the security and it tendencies remain almost at the same level, it is foreseeable and definite.

**NOTE 27 ACTIVITY OF THE INVESTMENT BANKING DEPARTMENT**

The license held by the Bank entitles the Bank to carry on operations in securities. The Bank is a member of Vilnius Stock Exchange, a participant of the Lithuanian's Central Securities Depository, a participant of the Auctions of the Government securities organised by the Bank of Lithuania and a distributor of the Government Savings Bonds authorised by the Ministry of Finance of the Republic of Lithuania.

In these activities the Bank is represented by Investment Banking department (hereinafter department). The Department acts as a broker on its customers' behalf in the securities market, manages and has the custody of its clients' accounts of securities and of money for operations in securities, maintains accounting of securities issued by issuers. The Department also provides consultations to its clients on business acquisitions and combinations, investments in securities and on matters of public trading in securities. Corporate customers also receive consultations on raising of funds and structure of finance.

In 2004, the turnover of secondary trading in securities carried out by the Department (on the account of both the Bank and its customers) totalled LTL 855 million. That accounted for about 12.26 percent of total turnover of the Vilnius Stock Exchange, which is No. 4 among 18 market participants by gross turnover and by turnover of Government securities (in 2003: LTL 626 million and 15.79 percent respectively).