Independent Auditors' Report and Consolidated Financial Statements for the years ended 31 December 2001 and 2000

TABLE OF CONTENTS

THE CHAIRMAN'S REPORT

AB bankas SNORAS is a private capital bank that started its activities in 1992. During ten years of its operation the Bank become popular, its name is well known in Lithuania, the Baltic States and Eastern Europe. At the end of year 2001 the Bank was the 4th in assets size.

The Bank is actively developing retail banking. In 1997 and 1998 significant investments were made into the development of its territorial network. These investments have increased the Bank's economic value and created favourable conditions for consistent growth of the shareholders' equity while reducing the Bank's operation risk. It is believed that the Bank currently possesses one of the most advanced banking service networks in Lithuania, and one of the most extensive, too.

At present the Bank manages ten branches all over Lithuania and renders services to its clients via 161 savings outlets and three representative offices in Minsk (Belarus), Kiev (Ukraine) and Moscow (Russia). Besides, 220 of the Bank's ATMs operate all over the country; the ATM network facilitates the clients not only to withdraw cash, but also transfer and convert money.

The initially no-so-visible advantage of the wide network of savings outlets is becoming more conspicuous: more and more local people rely on the Bank, attracted by a broad fan of services offered. Since mid 1996 the microprocessor local payment card ImparCard has become available. At the end of 1999 the bank launched eLitoCard, a retail banking product representing a new family of local microprocessor cards. The holders can enjoy benefits offered by an automated discount system and a loyalty bonus point collection program. In 2000 the Bank launched a new payment card: the Lithuanian Student ID. The Bank is a member of Europay International and issues EuroCard/MasterCard, Maestro, as well as hybrid cards EuroCard/MasterCard+ImparCard and Maestro+ImparCard. In 2001 the Bank became a Principal Member of VISA International payment system.

As of January 2002, the Bank issued over 129,000 microprocessor payment cards and as many as 15,000 of international cards. Their total turnover in 2001 exceeded LTL 805 million, taking the second position in Lithuania.

SNORAS pays great attention to the development of account electronic management and improvement of the existing retail banking products. At the end of the year, Internet payments amounted to 10% of current payments.

As at the end of 2001 SNORAS managed:

100 per cent of the stock of ADB SNORO Garantas (insurance company; par value of the stock is LTL 3 million);
100 per cent of the stock of UAB SNORO Lizingas (leasing company; par value of the stock is LTL 2 million);
100 per cent of the stock of UAB Vilniaus Kapitalo Vystymo Projektai (asset management company; par value of the stock is LTL 7,139 ths.).

The 2001operation result of the said subsidiaries showed a loss of LTL 564 ths., where the loss of ADB SNORO Garantas amounted to LTL 271 ths., the gain of UAB SNORO Lizingas totalled LTL 401 ths. and the loss of UAB Vilniaus Kapitalo Vystymo Projektai made LTL 694 ths.

In the reporting period the Bank acquired 10 000 preferred registered shares of ZAO ATOM Bank (Belarus), what makes 10 per cent of the authorized capital of the said bank. The stock was purchased during the incorporation. Thus the Bank intends to participate in the management of this commercial bank.

ADB SNORO Garantas has been operating for four years already. In 2001 the total premiums signed amounted to LTL 4,15 million. The company signed almost 26 ths. direct insurance policies. Nine-month results show that the subsidiary held 16th place among other non-life insurance companies in Lithuania. As per the results of 2001, the company's share on the non-life insurance market of Lithuania made 1.05 per cent. Insurance policies are being distributed at more than 170 locations.

UAB SNORAS Lizingas has been operating for almost three years. At the end of the year the company's leasing portfolio reached as much as LTL 43 million compared to only LTL 7 million as at the year start. The company customer base reached 68 thousand.

UAB Vilniaus Kapitalo Vystymo Projektai was established in November 2000.

The clients appreciate the Bank's fundamental principles of operation, namely, optimal profitability and risk, service quality of world standard. During the year the number of clients grew by 76 ths. and at the end of 2001 totalled 252 ths. Among our clients we could mention such companies as AB Mazeikiu Nafta, AB Klaipedos Mediena, state enterprise Lietuvos Paštas (post), UAB Genrita, UAB Augma, AB concern Alga, AB Panevezio Ekranas, AB Vilniaus Vingis, branches of SODRA (Social Insurance Fund), students, professors and employees of Vilnius University, Vilnius Tutor Training University, Kaunas Technical University and others.

The Bank is actively developing interbank relations. The Bank maintains co-operation with many financial institutions in worldwide; The list of main correspondent banks numbers 31 bank in 27 countries, including such well-known banks as ABN Amro Bank, Barclays Bank PLC, Commerzbank and The Bank Of Tokyo-Mitsubishi.

Fitch, the international rating agency, has changed the Rating Watch on the Long-term rating of AB Bankas SNORAS from negative to positive. The Long-term rating is 'BB-' (BB minus). An individual rating of 'D/E' was assigned and placed on Rating Watch positive. The Short-term and Support ratings were affirmed at of 'B' and '5', respectively.

The results of the bank have been audited for six years already by international audit companies. Deloitte&Touche audited the results of business year 2001.

In 2001 SNORAS strictly followed all requirements and norms set by the Bank of Lithuania.

The last year was successful to the Bank; clients' confidence in the Bank grew significantly. The assets of the Bank in 2001 increased by LTL 260,9 million and at the end of the year amounted to LTL 884 million. The net value of granted loans grew by LTL 134,7 million during the year and amounted to LTL 504,5 million. The scale of the Bank's investments in securities grew significantly - from LTL 28,7 to 52 million. Total deposits of individuals (time and demand) doubled and at the end of the year reached LTL 433,6 million (the growth per year is 94 per cent). As of 31 December 2001 total deposits were LTL 655,1 million. During the year the amount increased by LTL 239,4 million.

Over the year the Bank's capital grew from LTL 159 to 163,5 million.

As of 31 December 2001 the assets of the Bank amounted to 6% (as compared to 5% last year), loans - 8% (7%), deposits - 6% (5%), resident deposits amounted to 7% (4%) of total assets, loans, deposits and resident deposits of all Lithuanian banks (according to unaudited data).

The main sources of income during 2001 were as follows: interest income, income from advances and securities, foreign exchange profit and fees from rendered services. The financial result of the Bank in 2001 is positive; the net profit of the Bank made LTL 4,514 million. The main criteria that determined profit were the following: net interest income - LTL 36,1 million, income from services and commission - LTL 18,4 million, net profit from foreign exchange - LTL 10,1 million. Expenses on personnel amounted to LTL 25,5 million, other operating expenses totalled to LTL 15,3 million.

At the end of 2001 the staff totalled 744 employees. The Bank Management gives a priority to improving the staff qualifications. To that end 510 employees attended courses and seminars held by outside bodies and were successful in their qualifying tests. The staff-members perfected their expertise at the Lithuanian Banking, Finance and Insurance Institute, AB Paciolis, international training centres. Improvements of staff's labour conditions in the Bank Headquarters are also envisaged.

The Bank is also involved in charitable activities. In 2001 the Bank was financing Lithuanian National Symphonic Orchestra (conductor Gintaras Rinkevicius), Siauliai Drama Theatre, Lithuanian Musician Support Fund, student carnival of Lithuanian Agricultural University Vilnius University St. Valentine celebration, Rytas comprehensive school, Vilnius Ghetto Charitable Fund, Mini Football Championship, NPO Alytaus Sport Palace. This list could be continued. The Bank was providing financial support to individuals as well.

Along with the development of the Internet banking and account e-management systems, the Bank currently continues improving existing retail banking products. The launching of projects like VISA family payment cards under the MasterCard Euro account and self-service terminal are scheduled for this year. The client needs will continue to be the focus of the Bank's innovative efforts. We believe that the Bank's clientele finds SNORAS' services attractive and advantageous.

Raimondas Baranauskas
Chairman of the Board

INDEPENDENT AUDITORS' REPORT

To the shareholders of AB Bankas Snoras:

We have audited the accompanying consolidated balance sheets of AB Bankas Snoras and its subsidiaries (the Group) as of 31 December 2001 and 2000 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. We have also audited the accompanying balance sheets of AB Bankas Snoras (the Bank) as of 31 December 2001 and 2000 and the related statements of income, changes in shareholders' equity and cash flows for the years 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 audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2001 and 2000 and the results of its operations, cash flows, and changes in shareholders' equity for the years then ended in accordance with International Accounting Standards. Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of 31 December 2001 and 2000 and the results of its operations, cash flows and changes in shareholders' equity for the years then ended in accordance with International Accounting Standards.

Deloitte & Touche

Deloitte & Touche
Vilnius, Lithuania
29 March 2002

BALANCE SHEETS AS OF 31 DECEMBER 2001 AND 2000

	Notes	2001 Group LTL'000	2001 Bank LTL'000	2000 Group LTL'000	2000 Bank LTL'000
ASSETS					
Cash		76,764	76,743	44,519	44,519
Due from the Bank of Lithuania	2	29,638	29,638	38,278	38,278
Due from other banks	3	94,291	142,261	44,772	49,968
Loans and advances to customers	4	500,665	504,547	369,726	369,726
Trading securities	5	34,235	34,123	10,769	10,769
Investment securities	5	7,024	17,582	15,372	17,372
Fixed assets	6	71,439	70,419	82,196	82,101
Other assets	7	72,612	8,638	19,803	10,409
Total assets		**886,668**	**883,951**	**625,435**	**623,142**
LIABILITIES					
Due to other banks	8	7,439	17,491	13,365	13,508
Customers current and term deposit accounts	9	655,561	655,869	416,738	416,738
Other liabilities	10	60,031	44,604	34,493	32,075
Deferred taxes	11	2,499	2,499	1,847	1,847
Total liabilities		**725,530**	**720,463**	**466,443**	**464,168**
SHAREHOLDERS' EQUITY					
Share capital	12	137,267	137,267	137,267	137,267
Share premium		305	305	305	305
Legal reserve		1,650	1,650	1,455	1,455
Retained earnings		21,916	24,266	19,965	19,947
Total shareholders' equity		**161,138**	**163,488**	**158,992**	**158,974**
Total liabilities and shareholders' equity		**886,668**	**883,951**	**625,435**	**623,142**

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

The financial statements were approved by the Management Board on 29 March 2002 and signed on its behalf by:

Chairman of the Board
R.Baranauskas

Chief Financial Officer
Z.Selenkoviene

STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

	Notes	2001 Group LTL'000	2001 Bank LTL'000	2000 Group LTL'000	2000 Bank LTL'000
Interest income	13	61,769	57,163	55,026	54,524
Interest expense	14	21,076	21,032	15,750	15,750
NET INTEREST INCOME		40,693	36,131	39,276	38,774
Fees and commission income		22,269	22,339	17,098	16,222
Fees and commission expense		3,917	3,920	2,322	2,322
NET FEE AND COMMISSION INCOME		18,352	18,419	14,776	13,900
Net loss from trading and investment securities held for trading and available for sale	15	(345)	(409)	(1,143)	(1,143)
Net foreign exchange gain	16	10,082	10,103	7,865	7,865
Other operating income		4,111	1,524	962	948
OPERATING INCOME		72,893	65,768	61,736	60,344
Net increase (decrease) in provisions for losses		2,634	2,634	(380)	(380)
Other operating expenses	17	65,208	57,393	56,524	55,242
PROFIT BEFORE TAX		5,051	5,741	5,592	5,482
Income tax	18	1,258	1,227	1,587	1,587
NET PROFIT FOR THE YEAR		**3,793**	**4,514**	**4,005**	**3,895**
Basic Earnings Per Share (in LTL)		**0.28**	**0.33**	**0.29**	**0.28**

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

The financial statements were approved by the Management Board on 29 March 2002 and signed on its behalf by:

Chairman of the Board
R.Baranauskas

Chief Financial Officer
Z.Selenkoviene

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

GROUP

	Share capital LTL'000	Share premium LTL'000	Legal reserve LTL'000	Retained earnings LTL'000	Total LTL'000
At 31 December 1999	**49,024**	**88,548**	**1,048**	**16,367**	**154,987**
Share split (Note 12)	88,243	(88,243)	-	-	-
Transfer to legal reserve	-	-	407	(407)	-
Net profit for the year	-	-	-	4,005	4,005
At 31 December 2000	**137,267**	**305**	**1,455**	**19,965**	**158,992**
Consolidation adjustment (Note 12)	-	-	-	(1,647)	(1,647)
At 31 December 2000 after consolidation adjustment	**137,267**	**305**	**1,455**	**18,318**	**157,345**
Transfer to legal reserve	-	-	195	(195)	-
Net profit for the year	-	-	-	3,793	3,793
At 31 December 2001	**137,267**	**305**	**1,650**	**21,916**	**161,138**

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

BANK

	Share capital LTL'000	Share premium LTL'000	Legal reserve LTL'000	Retained earnings LTL'000	Total LTL'000
At 31 December 1999	**49,024**	**88,548**	**1,048**	**16,459**	**155,079**
Share split (Note 12)	88,243	(88,243)	-	-	-
Transfer to legal reserve	-	-	407	(407)	-
Net profit for the year	-	-	-	3,895	3,895
At 31 December 2000	**137,267**	**305**	**1,455**	**19,947**	**158,974**
Transfer to legal reserve	-	-	195	(195)	-
Net profit for the year	-	-	-	4,514	4,514
At 31 December 2001	**137,267**	**305**	**1,650**	**24,266**	**163,488**

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

STATEMENTS OF CACH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

	Notes	2001 Group LTL'000	2000 Bank LTL'000	Group LTL'000	Bank LTL'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		62,341	57,626	56,165	51,661
Interest paid		(17,110)	(17,755)	(14,684)	(14,644)
Net fee and commission receipts		18,352	18,419	13,945	13,900
Net receipts from operations with securities		(345)	(409)	83	(1,143)
Net receipts from operations with foreign currency		10,082	10,103	8,059	7,865
Repayment of loans previously written-off		1,019	1,019	349	317
Cash payments of salaries and associated payments		(28,925)	(26,472)	(25,090)	(24,128)
Other payments		(26,897)	(24,384)	(17,537)	(19,204)
Net cash provided by operating activities before change in operating assets and liabilities		18,517	18,147	21,290	14,624
Changes in operating assets and liabilities:					
Net (increase/decrease) in balances with the Bank of Lithuania		(3,270)	(3,270)	2,222	2,222
Net (increase/decrease) in balances with other banks		(24,831)	(49,696)	(26,697)	(12,107)
Net (increase/decrease) in trading securities		(32,154)	(32,042)	24,520	32,614
Net (increase/decrease) in loans and advances to customers		(130,939)	(134,821)	(148,747)	(146,119)
Net (increase/decrease) in other assets		(53,381)	1,308	17,166	(884)
Net (increase/decrease) in deposits		238,823	239,131	115,602	115,602
Net (increase/decrease) in other liabilities		12,457	248	6,585	7,582
Net (increase/decrease) in deferred taxes		652	652	334	334
Net cash provided by (used in) operating activities		**7,357**	**21,510**	**(9,015)**	**(756)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of fixed assets	6	(289)	818	(2,926)	(2,519)
Purchase of securities		10,289	1,731	(9,262)	(11,262)
Net cash provided by (used in) investing activities		**10,000**	**2,549**	**(12,188)**	**(13,781)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Term bills		10,343	10,343	(2,009)	(2,009)
Term bills' interest		(368)	(368)	(138)	(138)
Loss from consolidation of subsidiary	12	(1,647)	-	-	-
Repayment of subordinated loan		-	-	(1,400)	(1,400)
Net cash provided by (used in) financing activities		**8,328**	**9,975**	**(3,547)**	**(3,547)**
Net increase (decrease) in cash and cash equivalents		**44,202**	**52,181**	**(3,460)**	**(3,460)**
Cash and cash equivalents at the beginning of the year		**107,890**	**107,890**	**111,350**	**111,350**
Cash and cash equivalents at the end of the year		**152,092**	**160,071**	**107,890**	**107,890**
Cash and cash equivalents consist of:					
Cash		76,764	76,743	44,519	44,519
Correspondent accounts and demand deposits from other banks due within 3 month		73,387	81,387	42,773	42,773
Treasury bills with a maturity of less than 3 month		1,941	1,941	8,688	8,688
Balances with Bank of Lithuania other than compulsory reserves		-	-	11,910	11,910
Total		**152,092**	**160,071**	**107,890**	**107,890**

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

1. ACCOUNTING POLICIES

GENERAL INFORMATION

The AB Bankas Snoras (the Bank) was established on 17 March 1992. The Bank's hand office is located in Vilnius, Vivulskio str. 7. The Bank has 10 branches in Lithuania. The Bank offers extensive banking services: accepts deposit from the public, grants loans, provides short term trade finance and consults clients, provides payments in local and foreign currency, issues and processes magnetic and microchip payment cards, collects utilities and other payments, exchanges currency and provides other services.

As of 31 December 2001 one shareholder held 49.9% of the shares of the Bank.

The significant accounting policies adopted for the preparation of the consolidated financial statements are set out below.

BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis of accounting as modified by the revaluation of certain financial assets and liabilities, in accordance with International Accounting Standards (IAS).

These financial statements are presented in Lithuanian Litas (LTL) as that is the currency in which the majority of the Group's transactions are denominated.

The following summarizes the more significant of the policies applied:

PRINCIPLES OF CONSOLIDATION

At 31 December 2001 the Group financial statements include the accounts of the Bank and its wholly owned subsidiaries UAB Snoro Lizingas, ADB Snoro Garantas and UAB Vilniaus Kapitalo Vystymo Projektai. At 31 December 2000 the Group financial statements include the accounts of the Bank and its wholly owned subsidiary UAB Snoro Lizingas.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated. The accounting policies used by subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

INTEREST, FEES AND COMMISSIONS

Interest income is recognized on the accrual basis. For loans, which are considered to be non-performing or risky, provision for accrued interest income is estimated. The accrual of interest income is suspended for loans when repayment of the principal amount or interest is overdue for more than 60 days. Any interest income that has been previously recognized, but not received, is recorded as provision expenses in the profit and loss account and a decrease in short-term assets in the balance sheet at the time the related loan is placed on non performing status.

Interest expense is recognized on the accrual basis.

Commissions, fees and other income are credited to income and expenses are debited when earned or incurred.

FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation and amortization. Depreciation is provided in equal monthly installments from the month following the month the asset is placed in service over the estimated useful lives as follows:

Buildings	60 years
Vehicles	5 years
Furniture, fixtures and equipment	5 to 7 years
Computer hardware	5 to 6 years
Software	1 to 5 years

The above expected useful lives are set in accordance with Lithuanian tax legislation, which approximate the actual useful lives. All assets in excess of LTL 500 are capitalized.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments including foreign exchange contracts, forward rate agreements and other derivative financial instruments are initially recognized in the balance sheet at cost (including transaction costs).

TRADING SECURITIES

Trading securities are securities, which were either acquired 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 recognized at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted bid prices. All related realized and unrealized gains and losses are included in income from trading securities and investments securities held for trading and available for sale. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in income from trading securities and investments securities held for trading and available for sale.

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 recognized 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.

SALE AND REPURCHASE AGREEMENTS AND LENDING SECURITIES

Securities sold subject to a linked repurchase agreements ('repos') are retained in the financial statements as trading or investment securities and the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits, or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

INVESTMENT SECURITIES

The Group classified its investment securities and purchased loans and receivables into the following two categories: held-to-maturity and available-for-sale assets. Investment securities and purchased loans and receivables with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities and purchased loans and receivables 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.

Investment securities and purchased loans and receivables are initially recognized 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 cash flow models. Fair values for unquoted equity instruments are estimated using price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized as they arise in the income statement. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Held-to-maturity investments are carried at amortized 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. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in income from trading securities and investments securities held for trading and available for sale when a dividend is declared.

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

ORIGINATED LOANS AND PROVISIONS FOR LOANS IMPAIRMENT

Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down are categorized as loans originated by the Group and are carried at amortized cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognized when cash is advanced to borrowers.

The economic conditions of the market area may have an impact on the debtors' ability to repay their loans. Management has considered the risk in determining the balance of provision for possible loan losses. Provisions for loan losses at each balance sheet date are established in accordance with the Bank of Lithuania rules and represent the estimated amounts of probable losses that have been incurred at the balance sheet date. The provisions for loan losses also include estimates covering probable losses on guarantees and probable losses on identified credits with high risk. The loss estimate also considers identified concentration risk and events that occurred prior to the balance sheet date, but are still not identified. The loss estimates consider the Bank's total exposure to the customer, collateral values, the customer's general financial position and possible measures implemented to improve his position. The collateral value is based on the estimated realisable value.

The level of the provisions is based on estimates considering known relevant factors affecting loan collectibility and collateral values. Ultimate losses may vary from the current estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in expenses in the period in which they become known. Although it is possible to obtain financial statements of the largest and some medium-sized companies prepared in accordance with IAS and audited according to International Standards on Auditing, it is still difficult to rely on information presented by most Lithuanian companies. Therefore, in order to address the inherent risk related to the lack of reliable information about the customer's financial position the Bank has established general provision for the loan portfolio. Management and the Board have made their best estimates of losses and believe these loss estimates are reasonable in the circumstances.

If the amount of the impairment subsequently decreases due to an event occurring after the writedown, the release of the provision is credited to the bad and doubtful debt expense.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

A Group company as lessor:

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

A Group company as lessee:

Assets held under finance leases are recognised as assets of the Group company at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the asset acquired, are charged to the statement of profit and loss over the term of the relevant lease, so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

FORECLOSED ASSETS HELD FOR RESALE

Assets acquired through foreclosures are recorded at the estimated fair value at time of foreclosure, net of disposal cost. Write-downs from cost to fair value at the time of foreclosure are charged to the provision for losses. Subsequent adjustments to the fair value are charged to the provision for those foreclosed assets held for resale. Gains or losses recognized on the sale of such assets are included in the profit and loss account. Determinations of fair value are based on periodic appraisals, which are subject to significant fluctuations as economic conditions change.

DEFERRED INCOME TAXES

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.

The principal temporary differences arise from depreciation, revaluation of certain financial assets and liabilities and tax losses carried forward. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

FOREIGN CURRENCIES

Transactions denominated in foreign currency are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities, including unmatured commitments to deliver or acquire foreign currencies under spot exchange transactions, if any, are translated at the rate of exchange on the balance sheet date.

The applicable rates used for the principal currencies at year-end were following:

	2001	2000
1 USD	4.0000	4.0000
1 EUR	3.5272	3.7212
1 RUR	0.1315	0.1404

All resulting gains and losses relating to cash operations are recorded in the profit and loss account in the period in which they arise. Gains and losses on translation are credited or charged at the prevailing foreign exchange rate at period-end.

CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, highly liquid investments with an original maturity of three months or less when purchased are considered cash equivalents. Obligatory reserves held at the Bank of Lithuania are not considered to be cash equivalents.

EARNINGS PER SHARE

For the purpose of calculating earnings per share, the weighted average number of common shares outstanding during 2001 and 2000 was 13,726,720. At 31 December 2001 and 2000 the Bank had no weighted average dilutive shares outstanding.

REGULATORY REQUIREMENTS

The Bank is subject to the regulatory requirements of the Bank of Lithuania. These requirements include capital adequacy, liquidity and foreign currency position and loan concentration for individual loan customers.

RECLASSIFICATIONS

Certain balances of year 2000 have been reclassified in order to conform to the year 2001 presentation.

2. BALANCES DUE FROM BANK OF LITHUANIA

In accordance with Bank of Lithuania regulations, the Bank maintains a minimum of 8% (calculated monthly) of the average monthly balance of:

Resident and non-resident litas and foreign currencies liabilities
Non-resident banks and credit institutions liabilities and other liabilities

Deposits from resident and non-resident in litas and foreign currencies (if deposits mature after one year, the contract can not be changed or cancelled by the Bank and there are no interest payments in case the contract is cancelled by client) and Credits received from Bank of Lithuania other Lithuanian and foreign commercial banks are excluded from the calculation base.

These funds must be held at the Bank of Lithuania and are not available for general use by the Bank. The Bank was in compliance with this regulation as of 31 December 2001 and 2000.

3. DUE FROM OTHER BANKS

At 31 December amounts due from other banks are as follows:

	2001 Group LTL'000	2001 Bank LTL'000	2000 Group LTL'000	2000 Bank LTL'000
Due from Lithuanian banks and other credit institutions	24,472	72,442	1,008	6,204
Due from OECD area banks	61,466	61,466	27,870	27,870
Due from non-OECD area banks	8,941	8,941	16,299	16,299
Total due from other banks	**94,879**	**142,849**	**45,177**	**50,373**
Less: provisions for loss	(588)	(588)	(405)	(405)
Total due from other banks, net	**94,291**	**142,261**	**44,772**	**49,968**

The OECD (Organization of Economic Cooperation and Development) countries currently include 30 developed countries in the European Union, North America, Australia and other regions of the world.

4. LOANS AND ADVANCES TO CUSTOMERS

The value of the loan portfolio as stated in the balance sheet is determined after deducting provisions for possible credit losses calculated in accordance with an internationally accepted methodology for credit assessment.

At 31 December loans and advances to customers, by maturity, are as follows:

	2001		2000	
	Group	Bank	Group	Bank
	LTL'000	LTL'000	LTL'000	LTL'000
Due within one year	330,115	330,115	283,426	283,426
Due after one year	174,824	178,706	90,401	90,401
Total	**504,939**	**508,821**	**373,827**	**373,827**
Less: provision for loan losses	(4,274)	(4,274)	(4,101)	(4,101)
Total loans and advances to customers	**500,665**	**504,547**	**369,726**	**369,726**

At 31 December loans and advances to customers, by industry, are as follows:

	2001	2000
	Group	Group
	LTL'000	LTL'000
Trade and services	315,045	245,799
Manufacturing	105,605	17,959
Transportation and telecommunication companies	37,509	33,695
Real estate, rent and commercial companies	8,968	42,463
Construction	7,291	8,326
Other	11,632	10,494
Total to corporate customers	**486,050**	**358,736**
Individuals	18,889	15,091
Total loans and advances to customers	**504,939**	**373,827**

5. TRADING AND INVESTMENT SECURITIES

At 31 December trading and investment securities are as follows:

	2001 Group LTL'000	Bank LTL'000	2000 Group LTL'000	Bank LTL'000
Trading securities:				
Listed equity securities	337	275	2,081	2,081
Treasury bills	32,604	32,604	8,688	8,688
Other debt securities	1,294	1,244	-	-
Total trading securities	34,235	34,123	10,769	10,769
Investment securities:				
Available-for-sale:				
Debt securities - at fair value (2000: at amortized cost)	2,831	-	10,716	10,716
Unlisted equity securities - at fair value (2000: at cost)	137	137	12	12
Subsidiary UAB Snoro Lizingas	-	2,000	-	2,000
Subsidiary ADB Snoro Garantas	-	4,250	4,000	4,000
Subsidiary UAB Vilniaus Kapital Vystymo Projektai	-	7,139	-	-
Total available-for-sale investment securities	**2,968**	**13,526**	**14,728**	**16,728**
Held-to-maturity:				
Debt securities - at amortized cost:				
Bills of exchange	4,056	4,056	644	644
Total held-to-maturity investment securities	**4,056**	**4,056**	**644**	**644**
Total investment securities	**7,024**	**17,582**	**15,372**	**17,372**
Total trading and investment securities	**41,259**	**51,705**	**26,141**	**28,141**

The equity securities of the public companies held were included in the official and current trading list at the National Stock Exchange.

· Investment securities at 31 December 2001 have been split into available-for-sale and held-to-maturity based on whether management has positive intent and ability to hold certain securities until maturity.

· As of 31 December 2000 debt securities consisted of long-term government bonds (treasury bills), bonds related to restructuring of AB Lietuvos Akcinis Inovacinis Bankas (LAIB), Moscow City Telephone Network and SPAB Lietuvos Energija debt securities and Ukrainian Government debt securities.

· As of 31 December 2001 debt securities consisted of long-term and short-term government bonds (treasury bills).

· Lithuanian long-term government bonds (treasury bills) have maturities ranging from 1 to 7 years with a coupon rate ranging from 5.8% to 12.6% with an average of 6.35%.

· Lithuanian short-term government bonds (treasury bills) have maturities ranging up to one year with an interest rate ranging from 4.24% to 6.32% with an average of 5.18%.

· Bonds related to restructuring of LAIB have maturities ranging from 2 to 6 years and are non-interest bearing.

As of 2001 other trading debt securities consisted of Ukrainian Government debt securities with maturities ranging from 1 to 6 years with an average of 11% interest and Lietuvos Telekomas debt securities with maturity of 3 years with an average of 10.15% interest.

6. FIXED ASSETS

At 31 December fixed assets are as follows:

The Group

LTL'000	Buildings	Vehicles	Office equipment	Construction in progress	Intangible assets	Total
Historical cost						
31 December 1999	**16,456**	**5,231**	**82,549**	**-**	**6,429**	**110,665**
Additions	600	129	1,813	1,156	1,019	4,717
Disposals	(259)	(132)	(663)	-	(418)	(1,472)
Transfers	620	-	(1,399)	(1,110)	202	(1,687)
31 December 2000	**17,417**	**5,228**	**82,300**	**46**	**7,232**	**112,223**
Transfer from subsidiary	212	56	182	-	154	604
31 December 2000 after transfer from subsidiary	**17,629**	**5,284**	**82,482**	**46**	**7,386**	**112,827**
Additions	1,704	388	2,001	1,123	964	6,180
Disposals	-	(170)	(2,339)	-	(111)	(2,620)
Transfers	893	30	(5,093)	(1,155)	44	(5,281)
31 December 2001	**20,226**	**5,532**	**77,051**	**14**	**8,283**	**111,106**
Accumulated depreciation						
31 December 1999	**726**	**1,674**	**16,014**	**-**	**2,330**	**20,744**
Charge for the year	279	801	7,993	-	1,300	10,373
Disposals	(9)	(68)	(270)	-	(451)	(798)
Transfers	(58)	(39)	(195)	-	-	(292)
31 December 2000	**938**	**2,368**	**23,542**	**-**	**3,179**	**30,027**
Transfer from subsidiary	10	16	52	-	153	231
31 December 2000 after transfer from subsidiary	**948**	**2,384**	**23,594**	**-**	**3,332**	**30,258**
Charge for the year	303	816	8,615	-	1,312	11,046
Disposals	-	(72)	(1,297)	-	(95)	(1,464)
Transfers	(25)	-	(108)	-	(40)	(173)
31 December 2001	**1,226**	**3,128**	**30,804**	**-**	**4,509**	**39,667**
Net book value						
31 December 2000	**16,479**	**2,860**	**58,758**	**46**	**4,053**	**82,196**
31 December 2001	**19,000**	**2,404**	**46,247**	**14**	**3,774**	**71,439**

The assets stated above are held for the Group's own use.

Transfer from subsidiary comprises assets of previously not consolidated subsidiaries UAB Snoro Garantas and UAB Vilniaus Kapitalo Vystymo Projektai.

The Bank

LTL'000	Buildings	Vehicles	Office equipment	Construction in progress	Intangible assets	Total
Historical cost						
31 December 1999	**16,456**	**5,231**	**82,549**	**-**	**6,429**	**110,665**
Additions	600	102	1,773	1,156	957	4,588
Disposals	(259)	(132)	(1,734)	(1,110)	(421)	(3,656)
Transfers	619	-	(327)	-	205	497
31 December 2000	**17,416**	**5,201**	**82,261**	**46**	**7,170**	**112,094**
Additions	1,704	321	1,876	1,123	376	5,400
Disposals	-	(138)	(2,307)	-	(111)	(2,556)
Transfers	893	30	(5,093)	(1,155)	44	(5,281)
31 December 2001	**20,013**	**5,414**	**76,737**	**14**	**7,479**	**109,657**
Accumulated depreciation						
31 December 1999	**726**	**1,674**	**16,014**	**-**	**2,330**	**20,744**
Charge for period	279	792	7,988	-	1,280	10,339
Disposals	(13)	(68)	(323)	-	(451)	(855)
Transfers	(54)	(39)	(142)	-	-	(235)
31 December 2000	**938**	**2,359**	**23,537**	**-**	**3,159**	**29,993**
Charge for period	297	787	8,537	-	1,243	10,864
Disposals	-	(69)	(1,295)	-	(95)	(1,459)
Transfers	(25)	13	(108)	-	(40)	(160)
31 December 2001	**1,210**	**3,090**	**30,671**	**-**	**4,267**	**39,238**
Net book value						
31 December 2000	**16,478**	**2,842**	**58,724**	**46**	**4,011**	**82,101**
31 December 2001	**18,803**	**2,324**	**46,066**	**14**	**3,212**	**70,419**

As of 31 December 2001 Vehicles include assets with a net book value of LTL'000 246 (2000: LTL'000 74) that have been acquired under finance leases from Bank's subsidiary UAB Snoro Lizingas.

7. OTHER ASSETS

At 31 December other assets are as follows:

	2001 Bank LTL'000	2000 Group LTL'000	Group LTL'000	Bank LTL'000
Finance lease receivables	43,318	-	7,408	-
Assets held for resale	9,943	-	-	-
Prepaid taxes	5,897	-	-	-
Payment card receivables	3,982	3,982	3,912	3,912
Accrued income	3,174	3,123	4,170	3,586
Receivables from insurance operations	3,266	-	-	-
Other amounts receivables	1,906	764	740	740
Inventories	1,363	1,351	1,667	1,667
Receivables for non-banking payment cards	700	700	735	735
Deferred expenses	741	359	200	200
Prepaid assets	78	78	572	707
Foreclosed assets	20	20	192	192
Other	1,162	1,199	2,963	1,426
Total	**75,550**	**11,576**	**22,559**	**13,165**
Less: provisions for other assets	(2,938)	(2,938)	(2,756)	(2,756)
Total other assets	**72,612**	**8,638**	**19,803**	**10,409**

The Bank's provisions for other assets include LTL'000 72 for accrued income (in 2000: LTL'000 61) and other provisions in the amount of LTL'000 2,866 (in 2000: LTL'000 2,695).

At 31 December 2001 and 2000 the minimum lease payments receivable and the present value of minimum lease payments receivable were comprised as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2001 LTL'000	2000 LTL'000	2001 LTL'000	2000 LTL'000
Amounts receivable under finance leases:				
Within one year	42,233	7,869	40,429	7,305
In the second to fifth years inclusive	3,120	112	2,889	103
Total	45,353	7,981	43,318	7,408
Less: unearned finance income	2,035	573	N/A	N/A
Minimum lease payments receivable	**43,318**	**7,408**	**43,318**	**7,408**
Less: provisions for lease receivables	-	-	-	-
Present value of minimum lease payments receivable	**43,318**	**7,408**	**43,318**	**7,408**

Analyzed as:

	2001 LTL'000	2000 LTL'000
Non current lease receivables (recoverable after 12 months)	42,233	7,869
Current lease receivables (recoverable within 12 months)	3,120	112
Total	**45,353**	**7,981**

The Group enters into finance leasing arrangements for various goods. The average term entered into is 10.3 months.

8. DUE TO OTHER BANKS

At 31 December amounts due to other banks are as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Lithuanian credit institution deposits	6,585	16,637	1,874	2,017
OECD area credit institutions accounts and deposits	-	-	144	144
Non OECD area credit institutions accounts and deposits	854	854	11,347	11,347
Total due to other banks	**7,439**	**17,491**	**13,365**	**13,508**

9. CURRENT AND TERM DEPOSIT ACCOUNTS

At 31 December current and term deposit accounts are as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Current accounts:				
Private companies	136,287	136,595	117,220	117,220
Individuals	107,133	107,133	68,726	68,726
State enterprises	12,485	12,485	5,511	5,511
Non-profit organizations	1,147	1,147	1,082	1,082
Other	1,302	1,302	1,301	1,301
Total current accounts	**258,354**	**258,662**	**193,840**	**193,840**
Term deposit accounts:				
Individuals	326,498	326,498	154,872	154,872
Private companies	53,772	53,772	63,782	63,782
State enterprises	16,280	16,280	4,000	4,000
Non-profit organizations	657	657	244	244
Total term deposit accounts	**397,207**	**397,207**	**222,898**	**222,898**
Total current and term deposit accounts	**655,561**	**655,869**	**416,738**	**416,738**

The maturity of current and term deposits is as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Current accounts due on demand	258,354	258,662	193,840	193,840
Term deposits:				
Due within 3 months	162,248	162,248	92,796	92,796
Due within 3 to 6 months	111,715	111,715	88,457	88,457
Due within 6 months to one year	117,435	117,435	38,722	38,722
More than one year	5,809	5,809	2,923	2,923
Total current and term deposit accounts	**655,561**	**655,869**	**416,738**	**416,738**

The average interest rate on term deposits in 2001 in Litas was 6.03% (2000: 7.57) and in foreign currency was 4.99% (2000: 6.08%). The average interest rate on demand deposits in 2001 in Litas was 2.42% (2000: 3.08) and in foreign currency was 0.93% (2000: 1.62%). Typically term deposits are renewed at maturity.

10. OTHER LIABILITIES

At 31 December other liabilities are as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Term bills	11,951	11,951	1,608	1,608
Collected utility bills	9,486	9,486	7,205	7,205
Money in transit accounts	9,430	9,430	13,435	13,435
Accounts payable for fixed assets leased	8,512	-	1,785	-
Accrued expenses and deferred income	8,217	7,473	4,619	4,564
Accounts payable	4,221	2,724	984	645
Technical provisions	2,571	-	-	-
Tax payable	1,423	1,372	1,369	317
Settlement for non-banking cards	926	926	992	992
Wages payable	664	608	1,524	1,579
Other amounts	2,630	634	972	1,730
Total other liabilities	**60,031**	**44,604**	**34,493**	**32,075**

During 2001 the Bank issued term bills, and as of 31 December 2001 had term bills issued with par value of LTL' 000 12,843 (2000:LTL'000 1,681). The term bills are sold at a discount and their carrying value was LTL'000 11,951 (2000: LTL'000 1,608). The average annual interest payable for term bills varies from 4.50% to 5.76%.

11. DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 15% (2000: 24%).

The movement on the deferred income tax liability is as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
At the beginning of the year	1,847	1,847	1,513	1,513
Current year changes	652	652	344	344
Total deferred tax liability	**2,499**	**2,499**	**1,847**	**1,847**

Current year changes are composed of the following temporary differences:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Effect of change in taxation rate from 24% to 15%	(1,215)	(910)	-	-
Utilised depreciation	2,147	2,151	344	344
Non taxable provisions	34	45	184	184
Revaluation of securities	(74)	(74)	-	-
Vacation accruals	(73)	(51)	(11)	(11)
Other	336	155	138	138
Valuation allowance	(503)	(664)	(311)	(311)
Total	**652**	**652**	**344**	**344**

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

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Deferred income tax liabilities				
Utilised depreciation	2,504	2,499	1,847	1,847
	2,504	**2,499**	**1,847**	**1,847**
Deferred income tax assets				
Non taxable provisions	(534)	(527)	(888)	(888)
Audit fee accruals	(16)	(5)	(8)	(8)
Vacation accruals	(153)	(139)	(172)	(172)
Revaluation of securities	(47)	(47)	-	-
Other	(399)	(265)	(579)	(579)
	(1,149)	**(983)**	**(1,647)**	**(1,647)**
Valuation allowance	1,144	983	1,647	1,647
Total deferred tax liability, net	**2,499**	**2,499**	**1,847**	**1,847**

12. SHARE CAPITAL

The issued share capital as at 31 December 2001 and 2000 consisted of 13,726,700 ordinary shares with a par value of LTL 10 each. All shares are issued and fully paid.

In December 1999, the Shareholders' meeting authorized a 5 to 14 share split of the Bank's LTL 10 par value common shares. As the result of the split, 8,824,320 additional shares were issued, and share premium reserve was reduced by LTL'000 88,243. On 9 March 2000 the Bank of Lithuania approved the registration of an additional LTL'000 88,243 in share capital up to a total of LTL'000 137,267.

As of 31 December 2001 the Bank consolidated it subsidiary UAB Snoro Garantas that carried prior years losses in amount of LTL'000 1,647.

13. INTEREST INCOME

At 31 December interest income is as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Loans and advances	50,838	52,222	40,840	40,840
Placements with other banks	2,457	2,416	2,464	2,464
Investment securities	1,133	992	10,390	10,390
Trading securities	1,533	1,533	600	600
Other interest and related income	5,808	-	732	-
Total interest income	**61,769**	**57,163**	**55,026**	**54,524**

Other interest and related income comprise income from finance leases generated by the Bank's subsidiary UAB "Snoro Lizingas".

For the years ended 31 December 2001 and 2000 the average interest rates were 11.41% in Litas (2000: 13.08%) and 10.26% in foreign currency (2000: 13.16%) for short-term lending, and 11.03% in Litas (2000: 19.60%) and 9.35% in foreign currency (2000: 9.99%) for long-term loans.

14. INTEREST EXPENSE

At 31 December interest expense is as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Current and term deposit	20,420	20,446	15,021	15,022
Issued securities	368	368	137	137
Deposits from other banks	288	202	590	590
Other	-	16	2	1
Total interest expense	**21,076**	**21,032**	**15,750**	**15,750**

15. NET LOSS FROM TRADING AND INVESTMENT SECURITIES HELD FOR TRADING AND AVAILABLE FOR SALE

At 31 December net loss from trading and investment securities held for trading and available for sale is as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Dividends from trading securities	29	29	1	1
Realized (loss)/income from operations with trading securities	(128)	(128)	253	253
Unrealized loss from operations with trading securities	(310)	(310)	-	-
Total net (loss)/income from operations with trading securities	**(409)**	**(409)**	**254**	**254**
Realized income/(loss) from operations with available for sale investments	82	-	(171)	(171)
Unrealized loss from operations with trading securities and financial instruments	(18)	-	(1,226)	(1,226)
Total net income/(loss) from operations with available for sale investments and financial instruments	**64**	**-**	**(1,397)**	**(1,397)**
Net loss from trading and investment securities held for trading and available for sale	**(345)**	**(409)**	**(1,143)**	**(1,143)**

16. NET FOREIGN EXCHANGE GAIN

At 31 December net gain from currency exchange operations is as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Realized foreign exchange gain	9,801	9,801	8,059	8,059
Unrealized foreign exchange loss	281	302	(194)	(194)
Total net foreign exchange gain	**10,082**	**10,103**	**7,865**	**7,865**

17. OTHER OPERATING EXPENSES

At 31 December other administrative expenses are as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Salaries and related social expenses	28,065	25,501	26,002	25,298
Depreciation and amortization expenses	11,046	10,864	10,373	10,339
Rent and maintenance	4,734	4,576	3,886	3,886
Transport and communications	3,661	3,429	3,422	3,422
Advertising and marketing	3,462	1,385	1,278	1,278
Deposit insurance	2,360	2,360	1,680	1,680
Non-profit taxes	1,418	1,186	799	799
Other services	1,185	1,133	959	959
Business trips and training	286	262	208	208
Other expenses	8,991	6,697	7,917	7,373
Total other operating expenses	**65,208**	**57,393**	**56,524**	**55,242**

Salaries and related social expenses include compensation of employees and related social security and other benefits. At the end of 2001 the Bank employed 775 (2000: 871) personnel.

18. INCOME TAX

The income tax expense for the years ended 31 December is composed as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Current tax	606	575	1,253	1,253
Deferred tax (Note 11)	652	652	334	334
Total	**1,258**	**1,227**	**1,587**	**1,587**

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

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Profit before tax	**5,051**	**5,741**	**5,592**	**5,482**
Tax calculated at a tax rate of 24% (2000: 24%)	1,212	1,378	1,342	1,316
Income not subject to tax:				
Treasury bills	(288)	(288)	(144)	(144)
Fines	(429)	(324)	(370)	(370)
Other	(109)	(106)	(712)	(686)
Expenses not deductible for tax purposes:				
Loss on disposal of fixed assets	256	256	41	41
Revaluation of securities	74	74	-	-
Provisions	199	199	62	62
Tax relief on acquiring fixed assets	1,388	1,092	203	203
Other	661	506	1,615	1,615
Loss carried forward	165	-	(16)	(16)
Utilised loss carried forward	(6)	-	-	-
Effect of change in taxation rate from 24% to 15%	(1,215)	(910)	-	-
Prior year income tax correction	(650)	(650)	(434)	(434)
Income tax expense	**1,258**	**1,227**	**1,587**	**1,587**
Effective tax rate	**24.91%**	**21.37%**	**28.38%**	**28.95%**

19. PROVISIONS

Activity in the provision for loan losses, foreclosed assets, other assets and due from other banks for the years ended 31 December is following:

The Group

	Loan and interest loss provisions LTL'000	Provisions for inter-bank loans LTL'000	Other provisions LTL'000	Total LTL'000
Balance as of 31 December 1999	**3,801**	**1,013**	**3,418**	**8,232**
Reversal of provisions	(6,381)	(3,306)	(1,636)	(11,323)
Provisions written off (net)	-	(50)	-	(50)
Provision charged	6,742	2,748	1,453	10,943
Balance as of 31 December 2000	**4,162**	**405**	**3,235**	**7,802**
Reversal of provisions	(2,728)	(656)	(555)	(3,939)
Provisions written off (net)	(2,320)	(33)	-	(2,353)
Provision charged	5,411	693	469	6,573
Balance as of 31 December 2001	**4,525**	**409**	**3,149**	**8,083**

The Bank

	Loan and interest loss provisions LTL'000	Provisions for inter-bank loans LTL'000	Other provisions LTL'000	Total LTL'000
Balance as of 31 December 1999	**3,801**	**1,013**	**3,418**	**8,232**
Reversal of provisions	(6,381)	(3,306)	(1,636)	(11,323)
Provisions written off (net)	-	(50)	-	(50)
Provision charged	6,742	2,748	1,453	10,943
Balance as of 31 December 2000	**4,162**	**405**	**3,235**	**7,802**
Reversal of provisions	(2,728)	(656)	(555)	(3,939)
Provisions written off (net)	(2,320)	(33)	-	(2,353)
Provision charged	5,411	693	469	6,573
Balance as of 31 December 2001	**4,525**	**409**	**3,149**	**8,083**

20. CONTINGENCIES AND COMMITMENTS

At 31 December contingencies and commitments are as follows:

	2001		2000	
	Group LTL'000	Bank LTL'000	Group LTL'000	Bank LTL'000
Credit commitments	52,943	61,131	20,561	20,561
Issued guarantees	7,739	7,739	9,887	9,887
Other	368	368	-	-
Total	61,050	69,238	30,448	30,448

Operating leases - The Group rents offices and premises for banking activities. The Group has outstanding non-cancelable commitments in connection with the rental agreements of LTL'000 35.

At 31 December 2001 the future annual minimum commitments under operating leases are as follows:

Year Ending December 31,	Operating Leases LTL'000
2002	685
2003	645
2004	605
2005	576
2006	475
Thereafter	239
Minimum lease payments	3,225

It is expected that in the normal course of business, expiring leases will be renewed or replaced by leases on other fixed assets.

Litigation and claims - The Group was not involved in any legal proceedings as of 31 December 2001 except for those related to loan loss recovery.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of International Accounting Standard 32, "Financial Instruments: Disclosure and Presentation". The estimated fair value amounts have been determined by the Bank using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value estimates presented herein are based on pertinent information available to the Bank as of 31 December 2001 and 2000. Although the Group is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value for the years ended 31 December.

	2001 Group Carrying Amount LTL'000	2000 Group Estimated Fair Value LTL'000	Carrying Amount LTL'000	Estimated Fair Value LTL'000
Financial Assets:				
Due from other banks	94,291	94,022	44,772	44,772
Loans and advances to customers	500,665	516,207	369,726	367,710
Financial Liabilities:				
Deposit accounts	655,561	651,955	416,738	417,430

The methods and assumptions used in estimating the fair value of financial instruments are as follows:

Financial Instruments with book value equal to fair value.
The fair value of financial instruments that are short-term or re-priced frequently and have a history of negligible credit losses is considered to approximate their carrying value.

Due from other banks
Due from other banks includes inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers
Loans and advances are net of specific and other provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Deposits and borrowings
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

22. RELATED PARTY TRANSACTIONS

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.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits. In the opinion of management, these transactions were carried out on commercial terms and at market rates.

As of 31 December 2001 and 2000 the Group and the Bank had following balances with related parties:

The Group

	Members of the Board	Members of the Council	Share-holders	Other related parties
2001				
Loans, finance lease	273	60	-	1,331
Average interest rate (%)	3.84	5.00	-	9.27
Term deposits	-	-	-	-
Average interest rate (%)	-	-	-	-
2000				
Loans, finance lease	340	15	-	1,164
Average interest rate (%)	10.09	16.00	-	10.52
Term deposits	40	1,800	-	158
Average interest rate (%)	6.00	6.57	-	6.47

The Bank

	Members of the Board	Members of the Council	Share-holders	Other related parties
2001				
Loans	189	60	-	1,331
Average interest rate (%)	5.00	5.00	-	9.27
Term deposits	-	-	-	-
Average interest rate (%)	-	-	-	-
2000				
Loans	340	15	-	1,164
Average interest rate (%)	10.09	16.00	-	10.52
Term deposits	40	1,800	-	158
Average interest rate (%)	6.00	6.57	-	6.47

23. CREDIT RISK

The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

Credit 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 authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

24. CURRENCY RISK

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December 2001. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency.

Concentrations of assets, liabilities and off balance sheet items as of 31 December 2001:

	EURO	USD	LTL	Other	Total
Assets					
Cash	10,093	32,540	33,633	498	76,764
Due from Bank of Lithuania	12	21,474	8,152	-	29,638
Due from other banks	17,198	65,272	6,223	5,598	94,291
Loans and advances to customers	14,076	266,334	220,255	-	500,665
Trading securities	-	994	33,241	-	34,235
Investment securities	-	-	6,899	125	7,024
Fixed assets	-	-	71,439	-	71,439
Other assets	93	2,681	69,830	8	72,612
Total assets	**41,472**	**389,295**	**449,672**	**6,229**	**886,668**
Liabilities					
Due to other banks	31	1,072	6,334	2	7,439
Current and term deposit accounts	25,929	381,200	242,281	6,151	655,561
Other liabilities	12,294	6,460	41,148	129	60,031
Deferred taxes	-	-	2,499	-	2,499
Total liabilities	**38,254**	**388,732**	**292,262**	**6,282**	**725,530**
Net balance sheet position	**3,218**	**563**	**157,410**	**(53)**	**161,138**
Credit commitments	1,118	29,453	22,372	-	52,943
Issued guaranties	4,222	1,290	2,305	290	8,107

Bank of Lithuania regulations require the Bank to maintain its aggregate open position in foreign currencies at less than 25% of bank capital, and its single currency open position at less than 15% of bank capital. As of 31 December 2001, the Bank was in compliance with all foreign currency exposure requirements.

25. INTEREST RATE RISK

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored daily.

The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual reprising or maturity dates.

	Up to 1 month LTL'000	1-3 months LTL'000	3-12 months LTL'000	1-5 years LTL'000	Over 5 years LTL'000	Non-interest bearing LTL'000	Total LTL'000
Assets							
Cash	-	-	-	-	-	76,764	76,764
Due from Bank of Lithuania	-	-	-	-	-	29,638	29,638
Due from other banks	70,750	2,637	13,444	7,460	-	-	94,291
Loans and advances to customers	78,917	73,866	219,776	124,218	3,888	-	500,665
Trading securities	700	1,241	10,689	18,187	3,081	337	34,235
Investment securities	553	2,225	2,387	1,722	-	137	7,024
Fixed assets	-	-	-	-	-	71,439	71,439
Other assets	5,336	10,084	26,396	1,502	-	29,294	72,612
Total assets	**156,256**	**90,053**	**272,692**	**153,089**	**6,969**	**207,609**	**886,668**
Liabilities							
Due to other banks	6,112	20	260	1,004	43	-	7,439
Current and term deposit accounts	339,052	81,550	229,150	5,601	208	-	655,561
Other liabilities	-	-	-	-	-	60,031	60,031
Deferred taxes	-	-	-	-	-	2,499	2,499
Total liabilities	**345,164**	**81,570**	**229,410**	**6,605**	**251**	**62,530**	**725,530**
Interest sensitivity gap	**(188,908)**	**8,483**	**43,282**	**146,484**	**6,718**		

The table below summarizes the effective average interest rate by major currencies for monetary financial instruments:

	EURO %	USD %	LTL %	Other %
Assets				
Due from other banks	0.84	4.21	5.30	1.83
Loans and advances to customers	10.65	11.23	12.16	-
Investment securities	-	2.7	15.24	8.94
Liabilities				
Due to other banks	0.67	0.55	4.93	0.61
Current and term deposit accounts	1.74	4.10	4.50	-

26. LIQUIDITY RISK

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The table below provides an analysis of assets and liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. Those assets that do not have a contracted maturity date are grouped together in the "over 5 years" category and those liabilities that do not have a contracted maturity date are grouped together in the "up to 1 month" category.

The remaining period to maturity of assets and liabilities at 31 December 2001 was as follows:

	Up to 1 month LTL'000	1-3 months LTL'000	3-12 months LTL'000	1-5 years LTL'000	Over 5 years LTL'000	Total LTL'000
Assets						
Cash	76,764	-	-	-	-	76,764
Due from Bank of Lithuania	8,152	-	-	-	21,486	29,638
Due from other banks	70,750	2,637	13,444	7,460	-	94,291
Loans and advances to customers	78,917	73,866	219,776	124,218	3,888	500,665
Trading securities	700	1,241	10,689	18,187	3,418	34,235
Investment securities	553	2,225	2,387	1,722	137	7,024
Fixed assets	-	-	-	-	71,439	71,439
Other assets	8,971	10,504	27,546	1,568	24,023	72,612
Total assets	**244,807**	**90,473**	**273,842**	**153,155**	**124,391**	**886,668**
Liabilities						
Due to other banks	6,112	20	260	1,004	43	7,439
Current and term deposit accounts	339,052	81,550	299,150	5,601	208	655,561
Other liabilities	24,824	1,567	11,542	4,699	17,399	60,031
Deferred tax liabilities	-	-	-	2,499	-	2,499
Total liabilities	**369,988**	**83,137**	**240,952**	**13,803**	**17,650**	**725,530**
Net liquidity gap	**(125,181)**	**7,336**	**32,890**	**139,352**	**106,741**	

The Bank of Lithuania requires banks to maintain a liquidity ratio not less then 30.00% based on specific liquidity calculations. As of 31 December 2001, the Bank's and the Group's actual ratio was 41.19% and 42.01%, respectively.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

27. CAPITAL ADEQUACY AND REGULATORY MATTERS

The Bank of Lithuania requires banks to maintain a capital adequacy ratio of 10.00% based on specific capital adequacy calculations. As of 31 December 2001, the Bank's actual ratio was 21.81%.

Additionally, under the guidelines set forth by the Basle Agreement, the Bank's capital adequacy as of 31 December 2001 is as follows; Tier I Capital to Risk Weighted Assets 22.77%; Total Capital to Risk Weighted Assets 21.50%. Basle committee confirms that the target standard ratio of capital to risk weighted assets should be set at 8%, of which the Tier I capital element will be at least 4%.

28. SEGMENT INFORMATION

	Banking	Leasing	Insurance	VKVP	Total	Elimina -tion	Group
Revenues:							
Internal	3,215	22	488	6	3,731	(3,731)	-
External	87,914	7,333	2,984	-	98,231	-	98,231
	91,129	**7,355**	**3,472**	**6**	**101,962**	**(3,731)**	**94,314**
Expenses:							
Internal	487	2,730	329	28	3,574	(3,574)	-
External	75,264	4,134	3,340	654	83,392	-	83,392
	75,751	**6,864**	**3,669**	**682**	**86,966**	**(3,574)**	**79,475**
Depreciation	10,864	90	74	18	11,046	-	11,046
Net result for the year	**4,514**	**401**	**(271)**	**(694)**	**(3,950)**	**157**	**(3,793)**
Assets	883,951	58,800	9,254	11,184	963,189	(76,521)	886,668
Liabilities	720,463	56,381	6,922	4,757	788,523	(62,993)	725,530

The Banking segment includes financial information of AB Bankas Snoras, Leasing segment includes financial information of UAB Banko Snoro Lizingas, Insurance segment includes financial information of UAB Snoro Garantas, VKVP segment includes financial information of UAB Vilniaus Vystymo Kapitalo Projektai.

29. SUBSEQUENT EVENTS

On 14 December 2001 the shareholders decided to increase the share capital of the Bank by an amount of LTL 1.2 billion. On 11 February 2002 the Bank began issuing the new share capital. In accordance with an order of the Securities Exchange Commission of the Republic of Lithuania, the Bank completed the issue on 6 March 2002. As of the date of this report the share capital had not been paid, as permission from the Bank of Lithuania is still awaited.