

AB BANKAS SNORAS

**Independent Auditors' Report and
Financial Statements
for the years ended 31 December 2002 and 2001**

AB BANKAS SNORAS

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AB BANKAS SNORAS

THE MANAGEMENT REPORT

AB bankas SNORAS is a private capital bank that started its activities in 1992. During eleven years of its operation the Bank became popular and its name is well known in Lithuania, the Baltic States and Eastern Europe. At the end of year 2002 the Bank was holding the forth place based on total assets in Lithuania.

The Bank is actively developing retail banking. Significant investments, which were made five years ago into the development of its territorial network, have increased the Bank's economic value and created favorable conditions for the consistent growth of the shareholders' equity while reducing the Bank's operational risk. Currently the Bank possesses the most advanced and extensive banking service networks in Lithuania.

At present the Bank manages ten branches all over Lithuania and renders services to its clients via 177 savings outlets and three representative offices in Minsk (Belarus), Kiev (Ukraine) and Moscow (Russia). Besides, 248 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 exchange money.

The initially not-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. In the middle of 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. In 2000 the Bank introduced a new payment card: the Lithuanian Student ID. SNORAS is a member of Europay International and issues EuroCard/MasterCard, Maestro, as well as hybrid cards EuroCard/MasterCard+ImparCard and Maestro+ImparCard. At the end of 2001 the Bank became a Principal Member of VISA International payment system.

As of January 2003 the Bank issued nearly 207 thousand payment cards, where microprocessor cards made 139 thousand and international ones as many as 68 thousand. Their total turnover in 2002 exceeded one billion and totaled LTL 1,13 billion, taking the third position in Lithuania.

SNORAS pays great attention to the development of e-banking and the improvement of existing retail banking products.

As at the end of 2002 SNORAS managed:

- 100 per cent of the stock of ADB SNORO Garantas (public limited liability insurance company; par value of the stock is LTL 5 million);
- 100 per cent of the stock of UAB SNORO Lizingas (private limited liability leasing company; par value of the stock is LTL 5 million);
- 100 per cent of the stock of UAB Vilniaus Kapitalo Vystymo Projektai (private limited liability asset management company; par value of the stock is LTL 7,1 million);
- 10 000 preferred stock of ZAO ATOM Bank (Belarus), corresponding to 10 per cent of the authorized capital of the said bank. The stock was purchased during the bank's incorporation, in order to participate in the management of this commercial bank.

SNORO Garantas has been operating for five years already. In 2002 the total premiums signed amounted to LTL 9,31 million, where direct insurance amounted to LTL 7,98 million. During the year the company concluded 40,7 thousand insurance agreements and the claim payments under them made LTL 2,62 million (direct insurance claim payments totaled LTL 2,45 million). In 2002 the company's loss rate reached 32 per cent. Within the reporting year "green card" international transport insurance delivered by SNORO Garantas made LTL 3,21 million. As of 31.12.2002 the company's technical provisions has reached LTL 3,73 million. The year 2002 results show that the subsidiary held 13th place among other non-life insurance companies in Lithuania, excluding the credit insurance companies. As per the results of 2002, the company's share on the non-life insurance market of Lithuania made 1.37 per cent. The company has ten regional offices and 23 agencies. Besides, 70 insurance brokers, 195 mediators and all savings outlets of the Bank distribute the company's products.

SNORAS Lizingas has been operating for four years already. Last year the subsidiary took the third position on the Lithuanian leasing market. At the end of 2002 the company's leasing portfolio reached as much as LTL 118 million (6.78 per cent of the total market) compared to only LTL 43 million (3.8 per cent) as at the beginning of the year. The company's clientele has reached 152 thousand.

Vilniaus Kapitalo Vystymo Projektai was established three years ago. The company renders real estate and assets management related services. Currently it own four residential blocks located in the Old City of Vilnius.

The clients appreciate the Bank's fundamental principles of operation, namely, optimizing profitability and risk, service quality of world standard. During the year the number of clients grew by 91 thousand and at the end of 2002 totaled 338 thousand private and corporate customers.

AB BANKAS SNORAS

THE MANAGEMENT REPORT

The Bank is actively developing interbank relations and maintains co-operation with many financial institutions worldwide. The list of main correspondent banks numbers 29 bank in 25 countries, including such well-known banks as Deutsche Bank Trust Company Americas, ABN Amro Bank, Barclays Bank PLC, Commerzbank and The Bank Of Tokyo-Mitsubishi.

On 19 November 2002 FITCH, the international rating agency, affirmed the 'BB-' rating watch stable on the long-term rating of SNORAS. An individual rating of 'D/E' was assigned and placed on rating watch stable. The short-term and support ratings were affirmed at of 'B' and '5', respectively.

International audit companies have been examining the results of the Bank's activity for eight years already. The results of 2002 have been audited by Deloitte&Touche.

In 2002 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. During 2002 the assets of the Bank increased by LTL 216,1 million and at the end of the year amounted to LTL 1,1 billion. During 2002 the Bank's balances with other banks grew from LTL 71,2 to 102,2 million. Total advances to financial institutions and repo transactions has grown by LTL 64,1 million and reached LTL 135,8 million (cp. LTL 71,7 million at the beginning of the year). The net value of loans granted increased by LTL 129,2 million during the year and amounted to LTL 705,2 million. The scale of the Bank's investments in securities grew significantly – from LTL 52,0 to 108,4 million. Total deposits of individuals (time and demand) advanced by 28 per cent and at the end of 2002 reached LTL 553,8 million. As of 31 December 2001 total deposits made LTL 814,9 million. During the year the said amount increased by LTL 159,8 million.

Over the year the Bank's capital grew from LTL 163, to 172,7 million.

As of 31 December 2002 the assets of the Bank amounted to 6.4 per cent (cp. 5.8 per cent last year), loans – 7.4 per cent (7.8 per cent), deposits – 7.0 per cent (6.3 per cent), resident deposits amounted to 8.1 per cent (6.8 per cent) of total assets, loans, deposits and resident deposits of all Lithuanian banks (according to unaudited data).

During 2002 the main sources of the Bank's income were as follows: interest income on advances and securities, foreign exchange profit and fees from rendered services. The financial result of the Bank for the year 2002 is positive; the net profit of the Bank made LTL 10,545 million. The main sources that determined profit were the following: net interest income – LTL 40,7 million (cp. LTL 36,1 million in 2001), net income from services and commission – LTL 27,1 million (cp. LTL 18,4 million), net profit from foreign exchange – LTL 14,4 million (cp. LTL 10,1 million). Expenses on personnel amounted to LTL 29.0 million, other operating expenses totaled LTL 16,7 million.

At the end of 2002 the Bank's personnel totaled 801 employees. The Bank's management gives a priority to improving the staff qualifications. To that end 545 employees attended courses and seminars arranged by the Bank's Internal Training Centre, the Lithuanian Banking, Finance and Insurance Institute, UAB Pacioli's Trainings and other outside bodies where they perfected their expertise and were successful in their qualifying tests. Improvement of staff's labor conditions in the Bank Headquarters is also envisaged.

The Bank is also involved in charitable activities. In 2002 the Bank was financing Vilnius University, Vilnius Pedagogical University, Lithuanian Musician Support Fund, Drama Theatres of Klaipėda and Šiauliai cities, Lithuanian Institute of Free Market, Sea Celebration NPO, Klaipėda. This list could be continued. The Bank was providing financial support to individuals also.

In 2002 the Bank allocated over LTL 134 thousand for charity and sponsorship.

In 2003 the Bank plans to issue VISA payment cards and start the distribution of Lithuanian saving notes. The Bank is currently negotiating with international payment card systems regarding the launch of joint international smart card projects. The issues of the management and expansion optimization are envisaged for this year. And of course, 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 balance sheets of AB bankas Snoras ("the Bank") and the consolidated balance sheets of the Bank and subsidiaries ("the Group") as of 31 December 2002 and 2001 and the related statements of income, cash flows and changes in shareholders' equity for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Lithuanian National and 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 financial statements referred to above present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2002 and 2001, and the results of their operations, cash flows and changes in shareholders' equity for the years then ended in accordance with International Financial Reporting Standards.

UAB Deloitte & Touche
Vilnius, Lithuania
10 March 2003

Certified Auditor *Lina Drakšienė*
Auditor's Certificate No. 000062

AB BANKAS SNORAS

STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

The Group			The Bank	
2002	2001		Notes	
			2002	2001
		Interest income		
3,426	2,457	on loans to credit and financial institutions and placements with credit institutions	7,547	2,416
52,011	50,838	on other loans	52,869	52,222
-	-	on subordinated loans	24	-
4,420	2,666	on debt securities acquired	4,079	2,525
10,692	5,808	other interest and related income	20 -	-
70,549	61,769		64,519	57,163
		Interest expense		
571	288	on liabilities to credit and financial institutions and amounts due to financial institutions	588	202
22,634	20,420	on deposits and other repayable funds	22,636	20,446
-	-	on subordinated loans	-	-
642	368	on debt securities issued	613	368
-	-	other interest expense	1	16
23,847	21,076		23,838	21,032
46,702	40,693	Net interest income	40,681	36,131
		Provision expense		
10,380	1,806	Specific provisions for loans and accrued interest	33 10,380	1,806
418	-	Specific provisions for executed guarantees	33 418	-
379	875	Specific provisions for the loan portfolio	33 379	875
11,177	2,681		11,177	2,681
35,525	38,012	Net interest income after provision	29,504	33,450
31,431	22,269	Service fees and commission income	33,277	22,339
6,231	3,917	Service fees and commission expense	6,199	3,920
60,725	56,364	Net interest, service fees and commission income	56,582	51,869
		Income from equity securities		
-	-	Gain on investments accounted under the equity method	-	-
17	29	Gain on other equity investments	16	29
17	29		16	29
		Gain from operations in foreign currencies		
14,877	9,801	Realized gain	14,880	9,801
283	281	Unrealized (loss) gain	(460)	302
15,160	10,082		14,420	10,103
		Gain from operations with securities and financial instruments		
682	(46)	Realized gain (loss)	844	(128)
2,189	(328)	Unrealized gain (loss)	2,140	(310)
2,871	(374)		2,984	(438)
78,773	66,101	Income from operations	74,002	61,563

(Continued)

AB BANKAS SNORAS

STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

The Group			The Bank		
2002	2001		Notes	2002	2001
4,451	4,111	Other banking income		1,235	1,524
		Operating expenses			
32,403	28,065	Salaries, social security and other related expenses	28	28,952	25,501
436	286	Training and business trips expense		366	262
3,930	3,554	Rent and premises maintenance		3,596	3,399
4,317	3,661	Transportation and communication expense		3,703	3,429
2,437	3,462	Advertising and marketing expense		1,469	1,385
8,763	8,139	Other administrative expense	34	7,532	6,827
52,286	47,167			45,618	40,803
7,022	6,995	Other banking expense	35	5,886	5,726
11,534	11,046	Depreciation and amortization expense		11,178	10,864
		Other specific provisions			
716	(47)	Provisions (reduction in provisions) for other doubtful assets	33	716	(47)
-	-	Provisions for off-balance sheet items	33	-	-
716	(47)			716	(47)
11,666	5,051	Operating result		11,839	5,741
-	-	Extraordinary gain (loss)		-	-
11,666	5,051	Net income before income tax		11,839	5,741
1,388	606	Income tax	31	1,294	575
-	652	Deferred taxes	31	-	652
-	-	Minority interest		-	-
10,278	3,793	Net result for the year		10,545	4,514
0.75	0.28	Basic Earnings per Share (in LTL)		0.77	0.33

(Completed)

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

The financial statements were approved by the Board of the Bank on 10 March 2003 and signed on its behalf by:

R. Baranauskas
Chairman of the Board

Z. Selenkovienė
Chief Accountant

AB BANKAS SNORAS

BALANCE SHEETS

AS OF 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

The Group			The Bank		
2002	2001		Notes	2002	2001
Assets					
78,658	76,764	Cash, precious metals and other valuables		78,612	76,743
35,326	29,638	Placements with the Bank of Lithuania	1	35,326	29,638
131,219	94,291	Due from banks and other credit and financial institutions	2	235,983	142,261
101,418	71,150	deposits		101,412	70,750
22,520	6,422	repurchase agreements		22,520	6,422
7,281	16,719	loans		112,051	65,089
11,298	13,633	Short-term treasury bills	6	11,098	12,524
551,519	500,665	Loans to customers	3, 4	570,696	504,547
118,877	43,318	Financial lease receivables	5	-	-
-	-	Securities for bank restructuring		-	-
83,225	27,152	Debt securities	6	78,450	25,380
-	-	Financial claims under derivative agreements		-	-
719	474	Equity securities	7	18,428	13,801
-	-	Investments accounted for under the equity method		-	-
2,951	3,774	Intangible fixed assets (less amortization)	8	2,320	3,212
61,700	67,665	Tangible fixed assets (less depreciation)	9	59,347	67,207
20,631	19,014	buildings and other real estate		19,293	18,817
2,215	2,404	vehicles		2,031	2,324
38,854	46,247	office equipment, etc.		38,023	46,066
6,588	3,843	Accrued income and deferred expenses	10	4,549	3,410
46,406	25,451	Other assets	10	5,235	5,228
-	-	Assets under management	12	-	-
1,128,486	886,668	Total assets		1,100,044	883,951

(Continued)

AB BANKAS SNORAS

BALANCE SHEETS

AS OF 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

The Group			The Bank		
2002	2001		Notes	2002	2001
Liabilities					
-	-	Due to central banks		-	-
69,562	7,439	Due to banks and other credit and financial institutions	13	70,572	17,491
69,562	7,439	deposits		70,572	17,491
-	-	repurchase agreements		-	-
-	-	loans		-	-
814,853	654,779	Deposits and letters of credit	14	814,897	655,087
431	-	Liabilities under derivative agreements		431	-
1,668	782	Special and lending funds	15	1,668	782
10,484	11,951	Debt securities issued	16	5,638	11,951
9,830	10,304	Accrued expenses and deferred income		8,601	9,453
-	-	Subordinated loans	17	-	-
51,615	40,275	Other liabilities	17,11	25,577	25,699
-	-	Liabilities for assets under management	12	-	-
958,443	725,530	Total liabilities		927,384	720,463
Shareholders' equity					
137,267	137,267	Registered share capital		137,267	137,267
-	-	(Treasury shares)		-	-
305	305	Share premium		305	305
-	-	Fixed assets revaluation reserve		-	-
-	-	Financial assets revaluation reserve		-	-
20,317	18,123	Retained earnings and other reserves	18	22,667	19,752
10,278	3,793	Current year result	18	10,545	4,514
1,876	1,650	Reserve capital		1,876	1,650
170,043	161,138	Total shareholders' equity		172,660	163,488
-	-	Minority interest			
1,128,486	886,668	Total liabilities and shareholders' equity		1,100,044	883,951

(Completed)

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

The financial statements were approved by the Board of the Bank on 10 March 2003 and signed on its behalf by:

R. Baranauskas
Chairman of the Board

Z. Selenkoviėnė
Chief Accountant

AB BANKAS SNORAS

OFF - BALANCE SHEET ITEMS AS OF 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

The Group				The Bank	
2002	2001		Notes	2002	2001
Off balance sheet items					
15,400	7,739	Guarantees and warranties	36	20,579	7,739
4,227	368	Commitments to issue letters of credit	36	4,227	368
85,502	52,943	Irrevocable lending commitments	36	88,337	61,131
-	-	Other commitments	19	-	-
-	-	Financial derivatives	19	-	-
Interest rate agreements					
-	-	Accounts receivables (claims)		-	-
-	-	Accounts payable (liabilities)		-	-
Currency purchase/sales agreements					
51,317	8,580	Currency purchase agreements (claims)		51,317	8,580
51,773	8,579	Currency sales agreements (liabilities)		51,773	8,579

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

AB BANKAS SNORAS

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

THE GROUP

	Share capital	Share premium	Reserve capital	Retained earnings and other reserves	Total
31 December 2000	137,267	305	1,455	18,318	157,345
Transfer to reserve capital	-	-	195	(195)	-
Net profit for the year	-	-	-	3,793	3,793
31 December 2001	137,267	305	1,650	21,916	161,138
Transfer to reserve capital	-	-	226	(226)	-
Dividends paid	-	-	-	(1,373)	(1,373)
Net profit for the year	-	-	-	10,278	10,278
31 December 2002	137,267	305	1,876	30,595	170,043

THE BANK

	Share capital	Share premium	Reserve capital	Retained earnings and other reserves	Total
31 December 2000	137,267	305	1,455	19,947	158,974
Transfer to reserve capital	-	-	195	(195)	-
Net profit for the year	-	-	-	4,514	4,514
31 December 2001	137,267	305	1,650	24,266	163,488
Transfer to reserve capital	-	-	226	(226)	-
Dividends paid	-	-	-	(1,373)	(1,373)
Net profit for the year	-	-	-	10,545	10,545
31 December 2002	137,267	305	1,876	33,212	172,660

(Continued)

AB BANKAS SNORAS

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

	31 December 2002		31 December 2001		Increase or (decrease)	
	The Bank	The Group	The Bank	The Group	The Bank	The Group
Registered share capital	137,267	137,267	137,267	137,267	-	-
(Treasury shares)	-	-	-	-	-	-
Share premium	305	305	305	305	-	-
Reserve capital	1,876	1,876	1,650	1,650	226	226
Retained earnings and other reserves	22,667	20,317	19,752	18,123	2,915	2,194
General provision for loan losses	-	-	-	-	-	-
Other general reserves	-	-	-	-	-	-
Fixed assets revaluation reserve	-	-	-	-	-	-
Financial assets revaluation reserve	-	-	-	-	-	-
Restricted (distributable) profit	-	-	-	-	-	-
Shareholders contribution to cover accumulated losses	-	-	-	-	-	-
Result for the year	10,545	10,278	4,514	3,793	6,031	6,485
Total shareholders' equity	172,660	170,043	163,488	161,138	9,172	8,905

(Completed)

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

The financial statements were approved by the Board of the Bank on 10 March 2003 and signed on its behalf by:

R. Baranauskas
Chairman of the Board

Z. Selenkovienė
Chief Accountant

AB BANKAS SNORAS

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

The Group			The Bank	
2002	2001		2002	2001
		Cash from operating activities:		
66,410	61,992	Interest income	60,380	57,386
(23,435)	(18,046)	Interest (expenses)	(23,455)	(18,002)
1,104	1,068	Recovery of loans previously written-off	1,104	1,068
14,877	9,801	Net income from foreign exchange operations	14,880	9,801
682	(46)	Net income on securities	844	(128)
25,198	18,352	Net commissions and fee income	27,076	18,419
(32,183)	(28,825)	Staff (expenses)	(28,732)	(26,261)
(24,732)	(20,299)	Other (expenses)	(22,367)	(18,326)
27,921	23,997	Net cash from operating activities before change in operating assets	29,730	23,957
		Changes in operating assets:		
(5,688)	(3,270)	Decrease (increase) in mandatory reserves held with the Bank of Lithuania	(5,688)	(3,270)
8,361	(16,898)	(Increase) decrease in loans to credit and financial institutions	(48,039)	(60,072)
(60,352)	(133,807)	(Increase) decrease in loans	(71,475)	(141,861)
(45,607)	(13,028)	(Increase) in equity securities	(45,643)	(11,194)
(110,530)	(60,284)	(Increase) decrease in other current assets	(12,441)	(5,565)
(213,816)	(227,287)	Net (increase) decrease in current assets	(183,286)	(221,962)
		Changes in liabilities:		
62,123	(5,926)	Increase (decrease) in liabilities to credit and financial institutions	53,081	3,983
161,542	238,959	Increase in deposits and letters of credit	161,278	239,267
9,473	8,692	Increase (decrease) in other liabilities	(1,988)	(2,327)
233,138	241,725	Net increase (decrease) in liabilities	212,371	240,923
47,243	38,435	Net cash flows from operating activities before taxes	58,815	42,918
(1,222)	(606)	Profit tax (paid)	(1,202)	(575)
46,021	37,829	Net cash flows from operating activities after taxes	57,613	42,343

(Continued)

AB BANKAS SNORAS

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

The Group			The Bank	
2002	2001		2002	2001
		Cash flows from (to) investing activities		
(5,422)	(5,385)	(Acquisitions of) tangible and intangible fixed assets, net of disposals	(3,189)	(4,062)
(5,245)	8,157	(Investments into) sale of securities	(13,345)	1,190
-	-	Dividends received	-	-
17	29	Interest received	16	29
-	-	Cash flows from other investing activities	-	-
(10,650)	2,801	Net cash flows from (to) investing activities	(16,518)	(2,843)
		Cash flows from (to) financing activities		
(1,446)	9,947	(Repayment) issue of own securities	(6,292)	9,947
-	-	(Purchase of own securities)	-	-
(1,373)	-	Dividends paid	(1,373)	-
(238)	(37)	Interest paid	(238)	(37)
-	-	Cash flows from other financial activities	-	-
(3,057)	9,910	Net cash flows from (to) financing activities	(7,903)	9,910
32,314	50,540	Net increase in cash	33,192	49,410
158,430	107,890	Cash and cash equivalents as of 1 January	157,300	107,890
190,744	158,430	Cash and cash equivalents as of 31 December	190,492	157,300
		Cash and cash equivalents consisted of the following:		
78,658	76,764	Cash on hand	78,612	76,743
-	-	Correspondent account with the Bank of Lithuania	-	-
100,788	68,033	Funds with credit and financial institutions	100,782	68,033
11,298	13,633	Government short-term treasury bonds	11,098	12,524
190,744	158,430		190,492	157,300

(Completed)

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

The financial statements were approved by the Board of the Bank on 10 March 2003 and signed on its behalf by:

R. Baranauskas
Chairman of the Board

Z. Selenkoviėnė
Chief Accountant

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

General background

AB bankas Snoras (the Bank) was established on 17 March 1992. The Bank's head 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 utility and other payments, exchanges currency and provides other services.

As of 31 December 2002 the Bank and the Group had 801 and 1,070 employees, respectively (2001: 774 and 831, respectively).

As of 31 December 2002 the shareholding of AB bankas Snoras was as follows:

	Ordinary shares held	Par value of shares held	Per cent of ownership
Incorion Investment Holding Company	6,848,800	68,488	49.89%
Nuntel Holdings S.A	1,358,336	13,583	9.90%
Hoffman Development Inc	1,358,336	13,583	9.90%
Axcol Properties limited	1,357,978	13,580	9.89%
Skepi Shipping Co.Limit	1,141,125	11,411	8.31%
CTPS Lomoted	775,608	7,756	5.65%
Kazann International	403,200	4,032	2.94%
Legal entities	120,829	1,209	0.88%
Private shareholders	362,508	3,625	2.64%
Total	13,726,720	137,267	100.00%

Issued share capital consists of 13,726,720 ordinary shares with par value of LTL 10 each.

As of 31 December 2002 all shares are fully paid.

Basis of preparation

These financial statements have been prepared in accordance with all standards and interpretations approved by the International Accounting Standards Board (IASB) which are referred to as International Financial Reporting Standards (IFRS).

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

Principles of Consolidation

At 31 December 2002 and 2001 the Group financial statements include the accounts of the Bank and its wholly owned subsidiaries UAB Snoro Lizingas, ADB Snoro Garantass and UAB Vilniaus Kapitalo Vystymo Projektai.

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.

Significant accounting policies

The financial statements have been prepared on the historical cost basis of accounting as modified by revaluation of financial assets and liabilities, in accordance with International Financial Reporting Standards.

The principal accounting policies adopted are set out below.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

(a) Interest income and expense, fees and commissions

Interest income is recognized on an 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 an accrual basis.

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

(b) Other income and expenses from insurance segment

Gross written premium

Gross written premiums comprise the gross amount payable by the insured to which the Company is contractually entitled, relating to policies incepting during the year.

Technical provision for unearned premiums

Technical provision for unearned premiums are determined by pro-rating direct policy premiums over the terms of the policies.

Deferred policy acquisition costs

The costs of acquiring new and renewal business for insurance operations, principally commissions, policy issuance and underwriting expenses, have been deferred and are being amortized over the anticipated premium paying period of the related policies.

Technical reserves

Technical reserves are computed in accordance with Lithuanian Statutory regulations and are based on estimates, the adequacy of which is evaluated based on observations of historical and current data and the use of projection methods that consider developing trends in experience and that adjust for changes in circumstances.

Other technical provisions are established for specific insurance risks if it is anticipated, on the basis of information available at the year end, that unearned premiums will be insufficient to meet future claims of policies in force at year end.

Technical provision for claims outstanding

The liability for unpaid claims and claim expenses represents the estimated liability on all direct claims outstanding, plus a liability for losses incurred but not reported as of the statement date less estimated recoveries. Such liabilities are necessary based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. In accordance with industry practices, adjustments of estimates and differences between estimates and amounts subsequently paid are recorded in operations as they occur.

Loss equalization provision

The technical provision for loss equalization is determined in accordance with the method established by the Insurance Supervisory Authority under the Ministry of Finance and by the Ministry of Finance and aims to equalize the loss among insurance types and accounting periods.

Commission income and commission expenses

Commission income and expenses associated with the policy are recognized when earned over the same term as the premium of the underlying policy.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

(c) Tangible 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:

The principal annual depreciation rates that have been applied are as follows:

	Years
Buildings	60
Vehicles	5
Fixtures and fittings	5 - 7
Computer hardware	5 - 6
Software	1 - 5

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.

(d) Investment property

Investment property is the property, which is held to earn rentals and for capital appreciation. Investment property is initially measured at cost, after initial recognition, at cost less any accumulated depreciation and any accumulated impairment losses. Investment property is included within the fixed assets and depreciated over useful economic lives.

(e) 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) and subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives held for trading are included in net income from trading securities and investments securities held for trading and available for sale.

(f) 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 investment 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 investment 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.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

(g) 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.

(h) Equity securities

The investment into equity securities, acquired with the intention to hold for an indefinite period of time for the purpose of generating capital gain, are stated at cost, unless there is a permanent decrease in value at which investment is written down to fair value.

(i) Investment securities

Investment securities and purchased loans and receivables are categorized as follows:

- held-to-maturity;
- 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. Management determines the appropriate classification of its investments at the time of the purchase.

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 applicable price/earnings or 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.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

(j) 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.

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.

In the case of loans to borrowers in countries where there is an increased risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and additional country risk provisions are established.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectable, it is written off against the related provision for impairments; subsequent recoveries are credited to the bad and doubtful debt expense in the statement of income.

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.

(k) Leases

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

The Group 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.

The Group as lessee - Assets held under finance leases are recognized as assets of the Group 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 assets acquired, are charged to the income statement 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

(l) 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.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

(m) Taxation

The Group records the corporate income tax related to the taxable profit computed in accordance with Lithuanian tax rules. It is calculated using tax rates that have been enacted at the balance sheet date. Corporate income tax rate in Lithuania is 15% (2001: 24%).

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized.

Deferred tax assets and liabilities are offset when the Group intends to settle its current tax assets and liabilities on a net basis.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash, balances with the Bank of Lithuania (except of the mandatory reserve) balances held in correspondent accounts of the Bank and short-term (up to 3 months) deposits in correspondent banks.

(o) Accounting for transactions in 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:

	2002	2001
USD	3.3114	4.0000
EUR	3.4528	3.5272
RUB	0.1038	0.1315

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

(p) Fair value of financial instruments

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

(q) Earnings per share

For the purpose of calculating earnings per share, the weighted average number of common shares outstanding during 2002 and 2001 was 13,726,720. The Group had no dilutive options outstanding during 2002 and 2001 and at 31 December 2002 and 2001.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 1 PLACEMENTS WITH THE BANK OF LITHUANIA

The Group			The Bank	
2002	2001		2002	2001
-	-	Correspondent account with the Bank of Lithuania	-	-
35,326	29,638	Compulsory reserves	35,326	29,638
35,326	29,638	Total placements with the Bank of Lithuania	35,326	29,638

The compulsory reserves are held with the Bank of Lithuania in the form of non-interest bearing deposits under the Bank of Lithuania's regulations. The compulsory reserves held with the Bank of Lithuania comprise the funds calculated on a monthly basis as a 6% (8% before May 2002) share of the average balance of deposits of the month. Compulsory reserves in foreign currency are not available to finance the Bank's day-to-day operations.

NOTE 2 DUE FROM BANKS AND OTHER CREDIT AND FINANCIAL INSTITUTIONS

The Group			The Bank	
2002	2001		2002	2001
		Due from banks and other credit and financial institutions		
55,795	16,497	funds in correspondent accounts	55,795	16,497
46,377	55,062	deposits in banks, credit and financial institutions	46,371	54,662
22,520	6,422	repo transactions	22,520	6,422
-	-	loans:		
-	-	falling due within one year	-	8,400
8,537	16,898	falling due after one year	113,307	56,868
133,229	94,879	Total	237,993	142,849
		Less: provisions for loans		
(2,010)	(389)	specific provisions	(2,010)	(389)
-	(199)	specific provisions for loan portfolio	-	(199)
(2,010)	(588)	Total provisions	(2,010)	(588)
131,219	94,291	Total due from banks and other credit and financial institutions, net	235,983	142,261

The Group			The Bank	
2002	2001		2002	2001
389	206	Specific provisions at the beginning of the year	389	206
2,308	872	Increase in specific provisions	2,308	872
(687)	(689)	(Decrease) in specific provisions	(687)	(689)
2,010	389	Specific provisions for at the end of the year	2,010	389

The Group			The Bank	
2002	2001		2002	2001
199	199	Specific provisions for the loan portfolio at the beginning of the year	199	199
-	-	Increase in specific provisions:	-	-
(199)	-	(Decrease) in specific provisions:	(199)	-
-	199	Specific provisions for the loan portfolio at the end of the year	-	199

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 3 LOANS TO CUSTOMERS

The Group			The Bank	
2002	2001		2002	2001
207,445	330,115	Loans to customers:	211,597	330,115
357,147	174,824	falling due within one year	372,172	178,706
564,592	504,939	falling after one year	583,769	508,821
		Total loans to customers		
(11,776)	(3,356)	Less: provisions	(11,776)	(3,356)
(1,297)	(918)	specific provisions	(1,297)	(918)
(13,073)	(4,274)	specific provisions for loan portfolio	(13,073)	(4,274)
551,519	500,665	Total loans to customers, net	570,696	504,547
The Group			The Bank	
2002	2001		2002	2001
3,356	4,058	Specific provisions at the beginning of the year	3,356	4,058
14,116	4,158	Increase in specific provisions:	14,116	4,158
-	-	due to increased risk	-	-
1,468	-	due to repayment of previously written off loans	1,468	-
15,584	4,158	due to changes in foreign exchange rates	15,584	4,158
(4,870)	(2,577)	(Decrease) of specific provisions:	(4,870)	(2,577)
(234)	(2,283)	due to decreased or eliminated risk	(234)	(2,283)
(2,060)	-	due to write off of loans	(2,060)	-
(7,164)	(4,860)	due to changes in foreign exchange rates	(7,164)	(4,860)
11,776	3,356	Specific provisions at the end of the year	11,776	3,356
The Group			The Bank	
2002	2001		2002	2001
918	43	Specific provisions for the loan portfolio at the beginning of the year	918	43
798	875	Increase in specific provisions	798	875
(419)	-	(Decrease) of specific provisions	(419)	-
1,297	918	Specific provisions for the loan portfolio at the end of the year	1,297	918

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 4 LOANS BY INDUSTRIES AND SECTORS

The Bank

	2002			
	Short term loans	Long term loans	Total loans	Specific provisions
Loans by industries and sectors				
Loans to legal entities by industries:				
to agriculture, hunting, forestry	314	1,151	1,465	-
to fishery and pisciculture	-	-	-	-
to manufacturing	20,027	107,604	127,631	(5,156)
to construction	6,853	14,164	21,017	(1,681)
to wholesale and retail trade	168,746	145,434	314,180	(3,961)
to other financial intermediaries	-	-	-	-
to transportation, storage and telecommunication	1,183	31,891	33,074	(62)
to real estate, rent and commercial companies	4,689	32,739	37,428	(350)
to utilities	-	-	-	-
to hotels and restaurants	252	10,251	10,503	(113)
to education	-	6	6	(1)
to health care and social works	612	2,973	3,585	-
to other types of economic activity	5,256	5,183	10,439	(33)
Total	207,932	351,396	559,328	(11,357)
To individuals	3,665	20,776	24,441	(419)
Total loans by industries and sectors	211,597	372,172	583,769	(11,776)

The Bank

	2001			
	Short term loans	Long term loans	Total loans	Specific provisions
Loans by industries and sectors				
Loans to legal entities by industries:				
to agriculture, hunting, forestry	152	1,061	1,213	-
to fishery and pisciculture	-	-	-	-
to manufacturing	10,825	94,780	105,605	(719)
to construction	909	6,382	7,291	(479)
to wholesale and retail trade	277,730	37,315	315,045	(1,776)
to other financial intermediaries	-	-	-	-
to transportation, storage and telecommunication companies	32,747	4,762	37,509	(70)
to real estate, rent and commercial companies	870	11,980	12,850	-
to utilities	-	-	-	-
to hotels and restaurants	-	3,290	3,290	-
to education	-	26	26	(3)
to health care and social works	-	-	-	-
to other types of economic activity	4,877	2,226	7,103	(105)
Total	328,110	161,822	489,932	(3,152)
To individuals	2,005	16,884	18,889	(204)
Total loans by industries and sectors	330,115	178,706	508,821	(3,356)

As of 31 December 2002 AB bankas Snoras complied with the maximum loan to one customer requirement established by the Bank of Lithuania, according to which the total amount of loans granted to one customer and customer's related parties thereto may not exceed 25% of the Bank's capital.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 5 FINANCIAL LEASE RECEIVABLES

The Group			The Bank	
2002	2001		2002	2001
88,103	40,429	Financial lease receivables by maturities:	-	-
30,774	2,889	falling due within one year	-	-
		falling due after one year		
-	-	Less: specific provisions for lease receivable	-	-
118,877	43,318	Total financial lease receivable by maturities	-	-

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

	Minimum lease receivables		Present value of minimum lease receivables	
	2002	2001	2002	2001
Amounts receivable under finance leases:				
Within one year	99,944	42,233	88,103	40,429
In the second to fifth years inclusive	33,576	3,120	30,774	2,889
Total	133,520	45,353	118,877	43,318
Less: unearned finance income	14,643	2,035	-	-
Minimum lease receivables	118,877	43,318	118,877	43,318
Less: provisions for lease receivables	-	-	-	-
Finance lease receivables, net of provisions	118,877	43,318	118,877	43,318

The Bank's subsidiary UAB Snoro Lizingas is engaged in leasing business.

The deferred income from the lease portfolio outstanding as of 31 December 2002 was LTL 14,643 thousand (as of 31 December 2001 - LTL 2,035 thousand).

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 6 INVESTMENTS IN DEBT SECURITIES

The Group			The Bank	
2002	2001		2002	2001
		Debt securities held for trade		
82,621	32,771	Lithuanian Government debt securities	77,899	32,771
3,574	1,294	Other debt securities	3,521	1,244
86,195	34,065	Total debt securities held for trade	81,420	34,015
		Debt securities held to maturity		
		<i>Bills of exchange:</i>		
8,702	4,172	falling due within one year	8,502	4,172
-	-	falling due after one year	-	-
-	2,831	<i>Lithuanian Government debt securities</i>	-	-
8,702	7,003	Total debt securities held to maturity	8,502	4,172
-	-	Less: general provisions	-	-
(374)	(283)	Less: specific provisions	(374)	(283)
94,523	40,785	Total debt securities, net	89,548	37,904
The Group			The Bank	
2002	2001		2002	2001
283	316	Specific and general provisions at the beginning of the year	283	316
443	118	Increase in specific and general provisions:	443	118
443	118	due to increased risk	443	118
(352)	(151)	(Decrease) of specific and general provisions:	(352)	(151)
-	-	due to decreased or eliminated risk	-	-
(352)	(151)	due to changes in foreign currency rate	(352)	(151)
374	283	Specific and general provisions at the end of the year	374	283

The Bank has acquired Lithuanian treasury bills. The redemption dates of these treasury bills are from 2004 to 2012.

NOTE 7 INVESTMENTS IN EQUITY SECURITIES

The Group			The Bank	
2002	2001		2002	2001
-	-	Investments into subsidiaries:		
-	-	UAB Snoro Lizingas	5,000	2,000
-	-	UAB Snoro Garant	6,000	4,250
-	-	UAB Vilniaus Kapitalo Vystymo Projektai	7,139	7,139
-	-	Total investments into subsidiaries	18,139	13,389
203	292	Equity securities held for trade		
11	45	Listed	191	258
214	337	Non listed	-	17
		Total equity securities held for trade	191	275
505	137	Other equity securities	98	137
719	474	Total investments in equity securities	18,428	13,801

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 8 INTANGIBLE FIXED ASSETS

The Group Computer software		The Bank Computer software
	Carrying value	
8,283	Balance as of 31 December 2001	7,479
443	additions	282
(82)	disposals	-
28	transfers	28
8,672	Balance as of 31 December 2002	7,789
	Accumulated amortization	
4,509	Balance as of 31 December 2001	4,267
1,307	charge for the year	1,216
(84)	disposals	(4)
(11)	transfers	(10)
5,721	Balance as of 31 December 2002	5,469
	Net book value	
3,774	31 December 2001	3,212
2,951	31 December 2002	2,320

NOTE 9 TANGIBLE FIXED ASSETS

The Bank	Buildings and other real estate	Vehicles	Office equipment	Construction in progress	Total
Carrying value					
31 December 2001	20,013	5,414	76,737	14	102,178
additions	1	541	1,588	1,043	3,173
disposals	-	(50)	(2,353)	(17)	(2,420)
transfers	2	1	191	(334)	(140)
31 December 2002	20,016	5,906	76,163	706	102,791
Accumulated depreciation					
31 December 2001	1,210	3,090	30,671	-	34,971
charge for the year	311	827	8,824	-	9,962
disposals	-	(42)	(1,349)	-	(1,391)
transfers	(92)	-	(6)	-	(98)
31 December 2002	1,429	3,875	38,140	-	43,444
Net book value					
31 December 2001	18,803	2,324	46,066	14	67,207
31 December 2002	18,587	2,031	38,023	706	59,347

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

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

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

The Group	Buildings and other real estate	Vehicles	Office equipment	Construction in progress	Total
Carrying value					
31 December 2001	20,226	5,532	77,051	14	102,823
additions	1,216	689	2,382	1,043	5,330
disposals	-	(50)	(2,353)	(17)	(2,420)
transfers	1	1	191	(334)	(141)
31 December 2002	21,443	6,172	77,271	706	105,592
Accumulated depreciation					
31 December 2001	1,226	3,128	30,804	-	35,158
charge for the year	383	870	8,974	-	10,227
disposals	-	(41)	(1,354)	-	(1,395)
transfers	(91)	-	(7)	-	(98)
31 December 2002	1,518	3,957	38,417	-	43,892
Net book value					
31 December 2001	19,000	2,404	46,247	14	67,665
31 December 2002	19,925	2,215	38,854	706	61,700

Investment property is accounted within the fixed assets of the Group and at 31 December is composed as follows:

The Group	Buildings and other real estate	Office equipment	Total
Carrying value			
31 December 2001	-	-	-
additions	1,215	71	1,286
disposals	-	-	-
31 December 2002	1,215	71	1,286
Accumulated depreciation			
31 December 2001	-	-	-
charge for the year	67	12	79
disposals	-	-	-
31 December 2002	67	12	79
Net book value			
31 December 2001	-	-	-
31 December 2002	1,148	59	1,207

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 10 OTHER ASSETS

The Group			The Bank	
2002	2001		2002	2001
20,829	9,943	Other assets:	-	-
13,222	5,897	assets held for resale	-	-
4,155	3,266	receivables from the State budget	-	-
2,394	1,363	receivables from insurance operations	2,225	1,351
2,155	1,906	inventories	574	764
980	-	other amounts receivable	980	-
810	700	money in transit	810	700
455	78	receivables for non-banking payment cards	455	78
167	3,982	prepaid assets	167	3,982
1,521	1,182	payment card receivables	306	1,219
46,688	28,317	other assets	5,517	8,094
		Total other assets		
(282)	(2,866)	Less: specific provisions	(282)	(2,866)
46,406	25,451	Total other assets, net	5,235	5,228

ACCRUED INCOME AND DEFERRED EXPENSES

The Group			The Bank	
2002	2001		2002	2001
6,701	3,915	Accrued income and deferred expenses	4,662	3,482
(113)	(72)	Less: specific provisions	(113)	(72)
6,588	3,843	Total accrued income and deferred expenses, net	4,549	3,410

SPECIFIC PROVISIONS

The Group			The Bank	
2002	2001		2002	2001
2,938	2,980	Specific provisions at the beginning of the year	2,938	2,980
878	550	Increase in specific provisions:	878	550
406	-	due to increased risk	406	-
1,284	550	due to changes in foreign currency rate	1,284	550
(543)	(522)	(Decrease) of specific provisions:	(543)	(522)
(2,762)	(70)	due to decreased or eliminated risk	(2,762)	(70)
(522)	-	due to write-off of accrued income	(522)	-
(3,827)	(592)	due to changes in foreign currency rate	(3,827)	(592)
395	2,938	Specific provisions at the end of the year	395	2,938

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 11 PROVISIONS FOR ASSETS AND OFF-BALANCE SHEET LIABILITIES

The Group			The Bank	
2002	2001		2002	2001
-	-	Provisions for off-balance sheet liabilities at the beginning of the year	-	-
(21)	-	decrease in provisions for commitments to grant loans	(21)	-
(2)	-	due to changes in foreign currency rate	(2)	-
441	-	increase in provisions for commitments to grant loans	441	-
418	-	Provisions for off-balance sheet liabilities at the end of the year	418	-

NOTE 12 ASSETS UNDER MANAGEMENT

As of 31 December 2002 and 2001 the Bank had no third party assets under management.

NOTE 13 DUE TO BANKS AND OTHER CREDIT AND FINANCIAL INSTITUTIONS

The Group			The Bank	
2002	2001		2002	2001
		Due to banks and other credit and financial institutions		
9,102	5,665	Due to correspondent banks	9,102	5,665
60,460	1,774	Deposits	61,470	11,826
38	43	<i>including collateralized deposits for the loans granted</i>	38	43
-	-	Repurchase agreements	-	-
		Loans:		
-	-	<i>Falling due within one year</i>	-	-
-	-	<i>Falling due after one year</i>	-	-
69,562	7,439	Total amounts due to banks and other credit and financial institutions	70,572	17,491

NOTE 14 DEPOSITS AND LETTERS OF CREDIT

The Group			The Bank	
2002	2001		2002	2001
		Deposits and letters of credit:		
301,519	257,572	Current and demand deposits	301,563	257,880
		Term deposits, letters of credit		
382,049	236,178	<i>Falling due within one year</i>	382,049	236,178
131,285	161,029	<i>Falling due after one year</i>	131,285	161,029
513,334	397,207		513,334	397,207
814,853	654,779	Total deposits and letters of credit	814,897	655,087

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 15 SPECIAL AND LENDING FUNDS

The Group			The Bank	
2002	2001		2002	2001
-	-	Special and lending funds:	-	-
-	-	International organizations funds	-	-
-	-	Government funds	-	-
-	-	Privatization funds	-	-
1,668	782	Compulsory social and health insurance funds	1,668	782
-	-	Other funds	-	-
1,668	782	Total special and lending funds	1,668	782

NOTE 16 DEBT SECURITIES ISSUED

The Group issued term bills, and as of 31 December 2002 had term bills issued with par value of LTL' 000 11,077 (2001: LTL'000 12,843). The term bills are sold at a discount and their carrying value was LTL'000 4,846 (the Group) and LTL'000 5,638 (the Bank) (2001: LTL'000 11,951). The average annual interest payable for term bills varies from 4.5% to 7.9%.

NOTE 17 SUBORDINATED LOANS AND OTHER LIABILITIES

As of December 2002 the Bank had no subordinated loans.

Other liabilities of the Group and the Bank are composed as follows:

The Group			The Bank	
2002	2001		2002	2001
		Other liabilities:		
16,053	11,036	payables to suppliers	1,396	2,724
9,714	9,430	international money transfers	9,714	9,430
8,667	9,486	collected utility bills	8,667	9,486
4,849	1,697	amounts received in advance	-	-
4,393	2,571	technical provisions	-	-
2,499	2,499	deferred taxes (Note 32)	2,499	2,499
895	926	settlement for non-banking cards	895	926
418	-	other special provisions (Note 11)	418	-
4,127	2,630	other	1,988	634
51,615	40,275	Total other liabilities	25,577	25,699

NOTE 18 PROFIT DISTRIBUTION

The profit of the Bank was distributed as follows:

	2001
Retained earnings and other reserves as of 31 December 2001	24,266
Net profit of the 2001 for distribution	4,514
Distribution:	
- reserve capital	226
- dividends	1,373
- bonuses	500
- other reserves	2,415
Not distributed profit	-
Retained earnings and other reserves as of 1 January 2002	22,667

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 19 OTHER OFF-BALANCE SHEET LIABILITIES

As of 31 December 2002 the Bank had no other off-balance sheet liabilities.

NOTE 20 OTHER INTEREST AND RELATED INCOME

The Group			The Bank	
2002	2001		2002	2001
10,692	5,808	Other interest and related income:	-	-
		Income from leases		
10,692	5,808	Total other interest and related income	-	-

NOTE 21 CAPITAL ADEQUACY

AB bankas Snoras and the Group capital adequacy ratio is calculated in accordance with the rules approved by Resolution No. 172 of the Board of the Bank of Lithuania dated 21 December 2000. The capital adequacy ratio set by Bank of Lithuania should be more than 10% of eligible capital.

The changes in the capital adequacy ratio during 2002 (quarterly) are presented in the table below:

	The Bank	The Group
31 December 2001	21.81%	22.25%
31 March 2002	18.85%	19.21%
30 June 2002	19.86%	20.25%
30 September 2002	18.48%	19.04%
31 December 2002	17.34%	17.58%

Additionally, under the guidelines set forth by the Basle Agreement, the Bank's capital adequacy as of 31 December 2002 is as follows; Tier I Capital to Risk Weighted Assets 20.28%; Total Capital to Risk Weighted Assets 18.98%. 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%.

NOTE 22 LIQUIDITY

Starting from 1 July 1999 calculations of the liquidity ratio are based on the requirements of 8 April 1999 resolution of Board of Bank of Lithuania No. 40. The Bank's liquidity ratio cannot be lower than 30%. The fluctuations of the Bank's and the Group's liquidity ratio during the year 2002 are shown below:

	The Bank	The Group
31 December 2001	41.19%	42.01%
31 January 2002	34.51%	34.51%
29 February 2002	35.95%	35.95%
31 March 2002	38.36%	39.43%
30 April 2002	36.18%	36.18%
31 May 2002	38.55%	38.55%
30 June 2002	40.17%	46.18%
31 July 2002	36.08%	36.08%
31 August 2002	42.32%	42.32%
30 September 2002	38.40%	39.55%
31 October 2002	38.90%	38.90%
30 November 2002	37.93%	37.93%
31 December 2002	46.67%	47.45%

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 22 LIQUIDITY

As of 31 December 2002 the Bank's assets and liabilities by remaining period of maturity were as follows:

	Average interest rate (%)	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 years and up	Indefinite maturity	No maturity	Total
Assets:											
Cash and other valuables	-	78,612	-	-	-	-	-	-	-	-	78,612
Precious metals	-	-	-	-	-	-	-	-	-	-	-
Correspondent account with the Bank of Lithuania	-	10,307	-	-	-	-	-	-	-	-	10,307
Obligatory reserves in foreign currency	-	-	-	-	-	-	-	-	-	25,019	25,019
Securities issued by the Government of the Republic of Lithuania and governments and central banks of the states defined by the Bank of Lithuania	5.77	-	3,297	1,721	2,941	4,397	24,813	40,730	-	-	77,899
Securities issued by the governments and central banks of the states not defined by the Bank of Lithuania	12.75	-	-	-	-	-	-	44	-	-	44
Amounts in subsidiaries of the bank	-	-	-	-	-	-	-	-	-	-	-
Placements with the banks and other credit and financial institutions	5.25	55,041	68,818	-	4,358	-	4,796	102,970	-	-	235,983
Loans to customers	7.76	-	104,724	16,792	93,582	119,792	200,271	32,181	3,354	-	570,696
Finance lease receivables	-	-	-	-	-	-	-	-	-	-	-
Acquired certificate of deposits	-	-	-	-	-	-	-	-	-	-	-
Securities for bank restructuring	-	-	-	-	-	-	-	-	-	-	-
Investments in debt securities	10.36	-	1,891	5,081	1,156	-	3,477	-	-	-	11,605
Investments in equity securities included into National Security Exchange Official list	-	-	-	-	-	-	-	-	-	191	191
Investments into other equity securities	-	-	-	-	-	-	-	-	-	18,237	18,237
Tangible and intangible fixed assets	-	-	-	-	-	-	-	-	-	61,667	61,667
Reposessed assets	-	-	-	-	-	-	-	-	-	-	-
Transit accounts	-	980	-	-	-	-	-	-	-	-	980
Accrued income	-	-	1,857	929	1,012	262	4	-	204	-	4,268
Other assets	-	-	223	246	36	37	180	20	3,794	-	4,536
Total assets		144,940	180,810	24,769	103,085	124,488	233,541	175,945	7,352	105,114	1,100,044

(Continued)

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

	Average interest rate (%)	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 years and up	Indefinite maturity	No maturity	Total
Liabilities and shareholders' equity:											
Liabilities to the Bank of Lithuania	-	-	-	-	-	-	-	-	-	-	-
Liabilities to the subsidiaries of the Bank	-	-	-	-	-	-	-	-	-	-	-
Liabilities to banks, credit and financial institutions	2.09	6,205	58,980	190	-	4,414	-	745	-	38	70,572
Corporate term deposits and letters of credit	4.01	-	32,115	26,774	16,907	24,367	1,927	36	-	-	102,126
Individuals' term deposits	3.80	-	79,945	83,823	106,039	108,583	31,205	1,548	-	65	411,208
Deposits on demand	1.18	301,563	-	-	-	-	-	-	-	-	301,563
Issued certificate of deposits	-	-	-	-	-	-	-	-	-	-	-
Deposits according to custody agreements	-	-	-	-	-	-	-	-	-	-	-
Special and lending funds	-	1,668	-	-	-	-	-	-	-	-	1,668
Issues debt securities	6.53	-	-	-	64	5,442	76	-	-	56	5,638
Paid in capital, but not yet registered	-	-	-	-	-	-	-	-	-	-	-
Transitions accounts	-	9,714	-	-	-	-	-	-	-	-	9,714
Other liabilities	-	-	14,177	1,383	1,842	2,329	335	27	1,884	2	21,979
Specific provisions	-	-	17	400	-	-	-	-	-	-	417
Reserves	-	-	-	-	-	-	2,499	-	-	-	2,499
Subordinated loans	-	-	-	-	-	-	-	-	-	-	-
Bank capital	-	-	-	-	-	-	-	-	-	172,660	172,660
Minority's interest	-	-	-	-	-	-	-	-	-	-	-
Total liabilities and shareholders' equity		319,150	185,234	112,570	124,852	145,135	36,042	2,356	1,884	172,821	1,100,044
Balance sheet liquidity risk		(174,210)	(4,424)	(87,801)	(21,767)	(20,647)	197,499	173,589	5,468	(67,707)	-
Off-balance sheet liabilities, which increase assets	-	-	1,334	7,350	11,978	13,652	13,530	46,161	-	56	94,061
Liquidity risk		(174,210)	(5,741)	(94,751)	(33,745)	(34,299)	183,969	127,428	5,468	(67,763)	(93,644)
Liquidity risk percentage of the assets		(15.84)	(0.52)	(8.61)	(3.07)	(3.12)	16.72	11.58	0.50	(6.16)	(8.51)
DI=		89,616									
S= DI-LT		(258,247)									
Liquid assets		338,149									
Current liabilities		724,506									
Liquidity ratio		46.67									

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AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

As of 31 December 2002 the Group's assets and liabilities by remaining period of maturity were as follows:

	Average interest rate (%)	On demand	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 years and up	Indefinite maturity	No maturity	Total
Assets:											
Cash and other valuables	-	78,658	-	-	-	-	-	-	-	-	78,658
Precious metals	-	-	-	-	-	-	-	-	-	-	-
Correspondent account with the Bank of Lithuania	-	10,307	-	-	-	-	-	-	-	-	10,307
Obligatory reserves in foreign currency	-	-	-	-	-	-	-	-	-	25,019	25,019
Securities issued by the Government of the Republic of Lithuania and governments and central banks of the states defined by the Bank of Lithuania	5.85	-	3,968	1,721	3,490	5,917	26,037	41,688	-	-	82,821
Securities issued by the governments and central banks of the states not defined by the Bank of Lithuania	12.75	-	-	-	-	-	-	44	-	-	44
Amounts in subsidiaries of the bank	-	-	-	-	-	-	-	-	-	-	-
Placements with the banks and other credit and financial institutions	3.30	55,047	68,818	-	4,358	-	2,996	-	-	-	131,219
Loans to customers	7.83	-	103,904	11,000	91,122	118,152	191,806	32,181	3,354	-	551,519
Finance lease receivables	18.21	-	9,850	18,587	24,691	34,999	29,377	1,373	-	-	118,877
Acquired certificate of deposits	-	-	-	-	-	-	-	-	-	-	-
Securities for bank restructuring	-	-	-	-	-	-	-	-	-	-	-
Investments in non-equity securities	10.36	-	1,891	5,081	1,156	-	3,530	-	-	-	11,658
Investments in equity securities included into National Security Exchange Official list	-	-	-	-	-	-	-	-	-	203	203
Investments into other equity securities	-	-	-	-	-	-	-	-	-	516	516
Tangible and intangible fixed assets	-	-	-	-	-	-	-	-	-	64,651	64,651
Reposessed assets	-	-	-	-	-	-	-	-	-	-	-
Transit accounts	-	980	-	-	-	-	-	-	-	-	980
Accrued income	-	-	2,339	929	1,035	349	59	11	204	-	4,926
Other assets	-	-	3,843	3,412	671	25,012	5,268	20	8,862	-	47,088
Total assets		144,992	194,613	40,730	126,523	184,429	259,073	75,317	12,420	90,389	1,128,486

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

	Average interest rate (%)	On demand	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 years and up	Indefinite maturity	No maturity	Total
Liabilities and shareholders' equity:											
Liabilities to the Bank of Lithuania	-	-	-	-	-	-	-	-	-	-	-
Liabilities to the subsidiaries of the Bank	-	-	-	-	-	-	-	-	-	-	-
Liabilities to banks, credit and financial institutions	2.06	5,895	58,980	190	-	3,714	-	745	-	38	69,562
Corporate term deposits and letters of credit	4.01	-	32,115	26,774	16,907	24,367	1,927	36	-	-	102,126
Individuals' term deposits	3.80	-	79,945	83,823	106,039	108,583	31,205	1,548	-	65	411,208
Deposits on demand	1.18	301,519	-	-	-	-	-	-	-	-	301,519
Issued certificate of deposits	-	-	-	-	-	-	-	-	-	-	-
Deposits according to custody agreements	-	-	-	-	-	-	-	-	-	-	-
Special and lending funds	-	1,668	-	-	-	-	-	-	-	-	1,668
Issues debt securities	6.74	-	-	-	1,274	6,653	2,501	-	-	56	10,484
Paid in capital, but not yet registered	-	-	-	-	-	-	-	-	-	-	-
Transitions accounts	-	9,714	-	-	-	-	-	-	-	-	9,714
Other liabilities	-	-	34,020	1,734	2,073	3,125	585	208	7,499	2	49,246
Specific provisions	-	-	17	400	-	-	-	-	-	-	417
Reserves	-	-	-	-	-	-	2,499	-	-	-	2,499
Subordinated loans	-	-	-	-	-	-	-	-	-	-	-
Bank capital	-	-	-	-	-	-	-	-	-	170,043	170,043
Minority's interest	-	-	-	-	-	-	-	-	-	-	-
Total liabilities and shareholders' equity		318,796	205,077	112,921	126,293	146,442	38,717	2,537	7,499	170,204	1,128,486
Balance sheet liquidity risk		(173,804)	(10,464)	(72,191)	230	37,987	220,356	72,780	4,921	(79,815)	-
Off-balance sheet liabilities, which increase assets	-	-	1,334	7,350	11,978	13,652	10,695	46,161	-	56	91,226
Liquidity risk		(173,804)	(11,781)	(79,141)	(11,748)	24,335	209,661	26,619	4,921	(79,871)	(90,809)
Liquidity risk percentage of the assets		(15.40)	(1.04)	(7.01)	(1.04)	2.16	18.58	2.36	0.44	(7.08)	(8.05)
DI=		89,616									
S= DI-LT		(273,149)									
Liquid assets		353,051									
Current liabilities		743,995									
Liquidity ratio		47.45									

(Completed)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 23 OPEN FOREIGN CURRENCY POSITION

According to the Rules on Calculating Maximum Open Position of Foreign Exchange and Precious Metals approved by the Resolution No. 11 of the Board of the Bank of Lithuania on 16 January 1997, the maximum overall open position cannot exceed 25% of eligible capital of the Bank.

The Group					
Position	Position as percentage of capital		Rates	Position	Position as percentage of capital
7,945	4.75	Euro (EUR)	3.4528	13,165	8.21
1,095	0.66	Great Britain pounds (GBP)	5.3123	1,095	0.68
(906)	(0.54)	U.S. Dollars (USD)	3.3114	(1,610)	(1.00)
552	0.33	Danish crowns (DKK)	0.4649	552	0.34
333	0.20	Latvian Lats (LVL)	5.6369	333	0.21
(236)	(0.14)	Russian rubles (RUB)	0.1038	(236)	(0.15)
579	0.35	Other currencies	Various	578	0.36
 11,646 	 6.97 	Total open position		 17,569 	 10.95

NOTE 24 SUBSEQUENT EVENTS

No significant events occurred subsequent to the year-end.

NOTE 25 RELATED PARTY TRANSACTIONS

The Bank	Members of the Board	Members of the Council	Shareholders	Other related parties
2002				
Loans	309	1	-	279
Average interest rate, %	5.38	12.00	-	4.64
Deposits	-	-	-	323
Average interest rate, %	-	-	-	3.98
2001				
Loans	189	60	-	1,331
Average interest rate, %	5.00	5.00	-	9.27
Deposits	-	-	-	-
Average interest rate, %	-	-	-	-
The Group	Members of the Board	Members of the Council	Shareholders	Other related parties
2002				
Loans, leasing	476	53	-	327
Average interest rate, %	3.85	11.04	-	4.37
Deposits	-	-	-	323
Average interest rate, %	-	-	-	3.98
2001				
Loans, leasing	273	60	-	1,331
Average interest rate, %	3.84	5.00	-	9.27
Deposits	-	-	-	-
Average interest rate, %	-	-	-	-

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

Related parties are defined as shareholders, members of the Council, members of the Board of the Board of the Bank and heads of branches, their close relatives and companies in which they have a controlling interest.

NOTE 26 COLLATERALISATION OF NON-PERFORMING LOANS (CLASSIFIED IN THE RISK GROUPS III, IV AND V) BY REAL ESTATE OR OTHER ASSETS

As of 31 December 2002 the outstanding principle and accrued interest receivable of the non-performing loans falling into III-V risk categories by collateral type was as follows:

	The Bank
Secured by real estate	15,918
Secured by fixed and other assets	17,291
Secured by blended collateral	44,034
Unsecured	4,202
Total non-performing loans	81,445

The loans secured by blended collateral are secured by both real estate and fixed and other assets.

As of 31 December 2002 the collateral by type under the non-performing loans was as follows:

	The Bank
Real estate (dwelling, office and other premises)	115,049
Fixed assets (machinery and equipment, vehicles, other assets) and inventory	67,918
Other (deposits, securities, receivables)	103,678
Total collateral	286,645

Pledged real estate is stated at market value that assets could be exchanged in the market in a relatively short period of time with minimum losses to the Bank. In order to reduce risks, the lowest value market value of the similar assets has been chosen also other factors that may impact collateral quality and value have been taken into consideration. All collaterals were valued by the Bank's appraisers or independent appraisers having valid assets appraiser's certificates. The value of collateral is reviewed on a regular basis. Such assets as inventories, amounts receivable are pledged at their book value.

The Bank had no money funds, investments in and guarantees to other credit institutions in respect of which by the decision of court a bankruptcy procedure was initiated or an administrator was appointed.

In 2002 the real estate market in the Baltic States (both dwelling and commercial premises sectors) became more active due to loans interest rates reduction, increase of loan repayment term, investment growth and lending programs supported by the Government of Lithuania. As result of the real estate demand growth the quality of the collateral has improved.

Significant growth of the Lithuanian economy, which started in 2002 and its development trends in 2003 shall have a positive impact on the collateral quality. The growth of the economy increases the demand for real estate, and thus the collateral liquidity.

Production premises are less liquid, mainly subject of interest for Lithuanian and foreign production undertakings. In majority cases the production premises are pledged together with machinery and equipment installed, therefore would have value as a ready-to-run business. There were no significant changes in the production premises market in 2002.

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(All amounts in LTL thousands unless otherwise stated)

NOTE 27 ACTIVITIES OF THE BROKERAGE DEPARTMENT

In 2002 the Brokerage Department was rendering the following services:

- participating in the auctions arranged by the Government of Lithuania;
- sale and purchase of securities at the National Stock Exchange and over-the-counter;
- securities portfolio management;
- advising on investment in securities;
- securities accounting and custody;
- other securities related services.

In 2002 the revenue generated by the Brokerage Department amounted to LTL'000 4,700, expenses incurred - amounted to LTL'000 99.

As of 31 December 2002 the capitalization of securities managed by the Brokerage department amounted to LTL'000 190,260 at face value.

NOTE 28 PERSONNEL EXPENSES

For the year ended 31 December 2002 personnel expenses comprise salaries and social insurance expenses amounted to LTL'000 22,140 (2001: LTL'000 19,585) and LTL'000 6,812 (2001: LTL 5,916), respectively.

NOTE 29 SEGMENT INFORMATION

	Banking	Leasing	Insurance	Real estate	Total	Elimination	Group
Revenues:							
Internal	11,532	21	1,436	981	13,970	(13,970)	-
External	105,379	16,274	2,360	160	124,173	-	124,173
	116,911	16,295	3,796	1,141	138,143	(13,970)	124,173
Expenses:							
Internal	(1,880)	(10,378)	(420)	(422)	(13,100)	13,100	-
External	(93,308)	(4,606)	(3,340)	(1,107)	(102,361)	-	(102,361)
	(95,188)	(14,984)	(3,760)	(1,529)	(115,461)	13,100	(102,361)
Depreciation	(11,178)	(78)	(172)	(106)	(11,534)	-	(11,534)
Net result for the year	10,545	1,233	(136)	(494)	11,148	(870)	10,278
Assets	1,100,044	132,995	12,911	27,365	1,273,315	(144,829)	1,128,486
Liabilities	927,384	126,343	8,965	21,432	1,084,124	(125,681)	958,443

The Banking segment includes financial information of AB bankas Snoras, Leasing segment includes financial information of UAB Snoro Lizingas, Insurance segment includes financial information of UAB Snoro Garant, Real Estate segment includes financial information of UAB Vilniaus Vystymo Kapitalo Projektai.

NOTE 30 COMPLIANCE WITH THE REGULATORY REQUIREMENTS

At 31 December 2002 the Bank was in compliance with the maximum lending to one customer, related party lending, investments, open foreign currency position and liquidity limits established by the Bank of Lithuania.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 31 INCOME TAX

At 31 December income tax expense composed as follows:

The Group			The Bank	
2002	2001		2002	2001
1,388	606	Current tax	1,294	575
-	652	Deferred tax (Note 32)	-	652
1,388	1,258	Total	1,294	1,227

The charge for the year can be reconciled to the profit per the income statement as follows:

The Group			The Bank	
2002	2001		2002	2001
11,666	5,051	Profit before tax	11,839	5,741
1,750	1,212	Tax calculated at a tax rate of 15% (2001: 24%)	1,776	1,378
		Tax effect of income not subject to tax:		
(492)	(288)	Government Treasury bills	(441)	(288)
(276)	(429)	finances	(120)	(324)
(400)	(109)	other	(352)	(106)
		Tax effect of expenses not deductible in determining taxable profit:		
172	199	provisions for bad debts	152	199
502	623	depreciation	496	616
646	541	Other	833	402
74	165	Valuation allowance	-	-
(525)	(650)	Adjustment for loss carry forward	(525)	(650)
(63)	(6)	Tax effect of utilization of tax losses not previously recognized	-	-
1,388	1,258	Income tax expense	1,819	1,227
11.90%	24.91%	Effective tax rate	15.36%	21.37%

NOTE 32 DEFERRED INCOME TAX

The valuation allowance has been recorded against the net deferred tax asset as the management believes it would not be prudent to recognize such an asset, which, in the current circumstances, it is not likely to be realized in the foreseeable future.

The Group			The Bank	
2002	2001		2002	2001
2,499	1,847	At the beginning of the year	2,499	1,847
(5)	657	Current year changes in deferred tax liabilities	-	652
513	498	Current year changes in deferred tax assets	644	664
(508)	(503)	Changes in valuation allowance	(644)	(664)
2,499	2,499	Total liability	2,499	2,499

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

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

The Group			The Bank	
2002	2001		2002	2001
		Deferred income tax liabilities		
2,499	2,504	Utilized depreciation, related to depreciation of fixed assets	2,499	2,499
2,499	2,504		2,499	2,499
		Deferred income tax assets		
(285)	(104)	Loss carry forward	-	-
(167)	(169)	Accruals	(155)	(144)
(184)	(876)	Other	(184)	(839)
(636)	(1,149)		(339)	(983)
636	1,144	Valuation allowance	339	983
2,499	2,499	Total liability	2,499	2,499

NOTE 33 PROVISIONS

Movements in the provision for loan and interest losses, for loan portfolio and other assets for the years ended 31 December are as follows:

The Bank

	Loan and interest loss provisions	Provisions for loan portfolio	Other provisions	Total
31 December 2000	4,119	43	3,640	7,802
Reversal of provisions	(2,729)	-	(1,210)	(3,939)
Provisions written off (net)	(2,318)	-	(35)	(2,353)
Provision charged	4,535	875	1,163	6,573
31 December 2001	3,607	918	3,558	8,083
Reversal of provisions	(5,196)	(419)	(1,476)	(7,091)
Provisions written off (net)	(240)	-	(2,756)	(2,996)
Currency exchange rate effect	(602)	-	(109)	(711)
Provision charged	15,576	798	2,610	18,984
31 December 2002	13,145	1,297	1,827	16,269

The Group

	Loan and interest loss provisions	Provisions for loan portfolio	Other provisions	Total
31 December 2000	4,119	43	3,640	7,802
Reversal of provisions	(2,729)	-	(1,210)	(3,939)
Provisions written off (net)	(2,318)	-	(35)	(2,353)
Provision charged	4,535	875	1,163	6,573
31 December 2001	3,607	918	3,558	8,083
Reversal of provisions	(5,196)	(419)	(1,476)	(7,091)
Provisions written off (net)	(240)	-	(2,756)	(2,996)
Currency exchange rate effect	(602)	-	(109)	(711)
Provision charged	15,576	798	2,610	18,984
31 December 2002	13,145	1,297	1,827	16,269

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 34 OTHER ADMINISTRATIVE EXPENSES

The Group			The Bank	
2002	2001		2002	2001
2,316	2,588	Non-profit taxes	2,082	2,526
1,684	1,180	Rent and maintenance	1,651	1,177
1,670	1,331	Deposit insurance	939	445
1,442	1,185	Other services	1,310	1,133
1,039	1,105	Custodial expenses	1,022	1,093
612	750	Other expenses	528	453
8,763	8,139	Total other administrative expenses	7,532	6,827

NOTE 35 OTHER BANKING EXPENSE

The Group			The Bank	
2002	2001		2002	2001
3,197	2,360	Payments to the Deposit Insurance Fund	3,197	2,361
1,726	1,418	Taxes	1,114	1,186
603	268	Representation	571	268
264	1,068	Write-off of fixed assets	174	1,068
134	48	Charity	134	48
1,098	1,833	Other expenses	696	795
7,022	6,995	Total other banking expense	5,886	5,726

NOTE 36 CONTINGENCIES AND COMMITMENTS

The Group			The Bank	
2002	2001		2002	2001
		Commitments and contingencies		
85,502	52,943	Credit commitments	88,337	61,131
15,400	7,739	Issued guarantees	20,579	7,739
4,227	368	Other	4,227	368
105,129	61,050	Total	113,143	69,238

Operating leases – The Group rents offices, premises for banking activities. The Group has outstanding non-cancelable commitments in connection with the rental agreements of LTL'000 1,816.

At 31 December 2002 the future annual minimum commitments under leases were following:

Year Ending December 31,

	Leases
2003	436
2004	373
2005	346
2006	306
2007	194
Thereafter	161
Minimum lease payments	1,816

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 2002 except for those related to loan loss recovery.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

NOTE 37 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 judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group 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 2002 and 2001. 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. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

	2002 The Group		2001 The Group	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:				
Due from other banks	131,219	131,239	94,291	94,022
Loans and advances to customers	551,519	571,047	500,665	516,207
Financial Liabilities:				
Due to other banks	69,562	69,497	7,439	7,439
Term deposit accounts	513,334	517,925	397,207	400,710

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. Those instruments include balances recorded in the following captions:

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 debts with similar remaining maturity.

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(All amounts in LTL thousands unless otherwise stated)

NOTE 38 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 related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer 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.

NOTE 39 CURRENCY RISK

The Bank and the Group 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 and the Group's exposure to foreign currency exchange rate risk at 31 December 2002. Included in the table are the Bank's and the Group's assets and liabilities at carrying amounts, categorized by currency.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(All amounts in LTL thousands unless otherwise stated)

Concentrations of assets, liabilities and off balance sheet items as of 31 December 2002:

The Bank

	EUR	USD	LTL	Other	Total
Assets					
Cash	10,990	22,434	43,435	1,753	78,612
Due from Bank of Lithuania	11	25,008	10,307	-	35,326
Due from other banks	20,000	85,111	127,290	3,582	235,983
Loans and advances to customers	42,927	261,614	266,155	-	570,696
Debt securities	15,696	3,256	70,596	-	89,548
Equity securities	-	-	18,342	86	18,428
Fixed assets	-	-	61,667	-	61,667
Other assets	1,177	1,509	7,095	3	9,784
Total assets	90,801	398,932	604,887	5,424	1,100,044
Liabilities					
Due to other banks	7,262	60,822	2,310	178	70,572
Current and term deposit accounts	65,134	347,842	401,302	2,287	816,565
Other liabilities	6,357	7,394	25,991	505	40,247
Total liabilities	78,753	416,058	429,603	2,970	927,384
Net balance sheet position	12,048	(17,126)	175,284	2,454	172,660
Credit commitments	8,735	29,442	50,160	-	88,337
Issued guaranties	5,521	1,739	13,319	-	20,579

The Group

	EUR	USD	LTL	Other	Total
Assets					
Cash	10,990	22,434	43,481	1,753	78,658
Due from Bank of Lithuania	11	25,008	10,307	-	35,326
Due from other banks	20,000	85,111	22,526	3,582	131,219
Loans and advances to customers	42,927	261,614	246,978	-	551,519
Debt securities	15,696	3,256	75,571	-	94,523
Equity securities	-	-	633	86	719
Fixed assets	-	-	64,651	-	64,651
Other assets	1,181	2,222	168,466	2	171,871
Total assets	90,805	399,645	632,613	5,423	1,128,486
Liabilities					
Due to other banks	7,262	60,822	1,302	176	69,562
Current and term deposit accounts	65,133	347,842	401,258	2,288	816,521
Other liabilities	11,581	7,403	52,870	506	72,360
Total liabilities	83,976	416,067	455,430	2,970	958,443
Net balance sheet position	6,829	(16,422)	177,183	2,453	170,043
Credit commitments	8,735	29,442	47,325	-	85,502
Issued guaranties	342	1,739	13,319	-	15,400

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NOTE 40 INTEREST RATE RISK

The Bank and 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 Bank's and the Group's exposure to interest rate risks as of 31 December 2002. Included in the table are the Group's and the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual reprising or maturity dates.

The Bank

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
Assets							
Cash	-	-	-	-	-	78,612	78,612
Due from Bank of Lithuania	-	-	-	-	-	35,326	35,326
Due from other banks	23,831	-	4,358	107,766	-	100,028	235,983
Loans and advances to customers	104,724	16,792	213,374	228,335	4,117	3,354	570,696
Debt securities	5,188	6,802	8,494	50,120	18,944	-	89,548
Equity securities	-	-	-	-	-	18,428	18,428
Fixed assets	-	-	-	-	-	61,667	61,667
Other assets	-	-	-	-	-	9,784	9,784
Total assets	133,743	23,594	226,226	386,221	23,061	307,199	1,100,044
Liabilities							
Due to other banks	58,980	190	4,414	745	-	6,243	70,572
Current and term deposit accounts	111,787	110,529	255,158	34,517	178	304,396	816,565
Other liabilities	-	-	5,506	76	-	34,665	40,247
Total liabilities	170,767	110,719	265,078	35,338	178	345,304	927,384
Interest sensitivity gap	(37,024)	(87,125)	(38,852)	350,883	22,883	-	-

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The Group

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
Assets							
Cash	-	-	-	-	-	78,658	78,658
Due from Bank of Lithuania	-	-	-	-	-	35,326	35,326
Due from other banks	23,831	-	4,358	2,996	-	100,034	131,219
Loans and advances to customers	103,904	11,000	209,274	219,870	4,117	3,354	551,519
Debt securities	5,859	6,802	10,563	52,355	18,944	-	94,523
Equity securities	-	-	-	-	-	719	719
Fixed assets	-	-	-	-	-	64,651	64,651
Other assets	9,850	18,587	59,690	30,750	-	52,994	171,871
Total assets	143,444	36,389	283,885	305,971	23,061	335,736	1,128,486
Liabilities							
Due to other banks	58,980	190	3,714	745	-	5,933	69,562
Current and term deposit accounts	111,787	110,529	255,158	34,517	178	304,352	816,521
Other liabilities	-	-	7,927	2,501	-	61,932	72,360
Total liabilities	170,767	110,719	266,799	37,763	178	372,217	958,443
Interest sensitivity gap	(27,323)	(74,330)	17,086	268,208	22,883	-	-

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

	EUR %	USD %	LTL %	Other %
Assets				
Due from other banks	4.15	1.92	3.74	2.16
Loans and advances to customers	8.75	9.38	9.52	-
Debt securities	-	-	3.37	-
Liabilities				
Due to other banks	1.6	1.12	1.75	-
Current and term deposit accounts	2.27	2.95	3.54	-
