

AB BANKAS SNORAS

FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2004

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AB BANKAS SNORAS**

We have audited the accompanying balance sheet of AB Bankas Snoras (hereinafter "the Bank") and the consolidated balance sheet of AB Bankas Snoras and subsidiaries (hereinafter "the Group") as of 31 December 2004 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Bank and the Group as of 31 December 2004 and the results of its operations and their cash flows for the year then ended in accordance with the requirements of the decree of the Board of the Bank of Lithuania No. 294 "On publication of financial statements of banks", dated 24 October 1996 and its subsequent amendments.

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



Jonas Akelis
Auditor's licence
No. 000003



Ramūnas Bartašius
Auditor's licence
Nr. 000362

The audit was completed on 4 March 2005

AB BANKAS SNORAS

 BALANCE SHEETS AS OF 31 DECEMBER 2004 AND 2003
 (ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Form 1

No.	Item	Notes	Current financial year			Previous financial year		
			Bank	Consolidated		Bank	Consolidated	
				Financial Group	Entire Group		Financial Group	Entire Group
1	2	3	4	5	6	7	8	9
Assets								
1.	Cash, precious metals and other valuables	34	67,814	67,814	67,814	71,915	71,915	71,915
2.	Placements with the central banks	2, 34	149,201	149,201	149,201	53,007	53,007	53,007
3.	Due from banks and other credit and financial institutions	3, 34	584,021	372,324	372,324	389,603	283,548	283,548
3.1.	Deposits		371,316	371,358	371,358	281,852	281,878	281,878
3.2.	Repurchase agreements		-	-	-	-	-	-
3.3.	Loans		212,705	966	966	107,751	1,670	1,670
4.	Short-term treasury bills	7	2,107	2,107	2,107	24,781	24,781	24,781
5.	Loans to customers	4, 5	438,495	523,883	495,244	464,139	464,389	442,539
6.	Financial lease	6	x	188,923	188,923	x	150,011	150,011
8.	Debt securities	7	581,274	581,274	581,274	233,958	233,958	233,958
9.	Claims due to derivative agreements		7,015	7,015	7,015	-	-	-
10.	Equity securities	7	14,913	8,913	1,274	13,065	8,065	1,333
10.1.	Investments accounted for under the equity method		-	-	-	-	-	-
11.	Intangible fixed assets (less amortization)	9	975	998	999	1,631	1,659	1,758
12.	Tangible fixed assets (less depreciation)	10	70,434	70,512	72,364	74,790	74,965	76,803
12.1.	Buildings and other real estate		27,781	27,781	28,375	28,298	28,298	29,336
12.2.	Vehicles		2,400	2,384	2,383	1,624	1,674	1,674
12.3.	Office equipment and other		40,253	40,347	41,606	44,868	44,993	45,793
13.	Accrued income and deferred expenses	12	14,035	14,174	14,214	7,941	8,845	8,837
14.	Other assets	11	3,671	13,259	46,700	24,197	35,704	61,355
16.	Total assets		1,933,955	2,000,397	1,999,453	1,359,027	1,410,847	1,409,845

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AB BANKAS SNORAS

BALANCE SHEETS AS OF 31 DECEMBER 2004 AND 2003

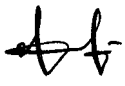

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

No.	Item	Notes	Current financial year			Previous financial year		
			Bank	Consolidated		Bank	Consolidated	
				Financial Group	Entire Group		Financial Group	Entire Group
1	2	3	4	5	6	7	8	9
Liabilities								
17.	Due to the central banks		-	-	-	-	-	-
18.	Due to banks and other credit and financial institutions	13	250,032	290,090	290,090	32,418	29,645	29,645
18.1.	Deposits		175,239	173,863	173,863	32,418	29,645	29,645
18.2.	Repurchase agreements		74,793	74,793	74,793	-	-	-
18.3.	Loans		-	41,434	41,434	-	-	-
19.	Deposits and letters of credit	14	1,419,540	1,419,540	1,418,627	1,082,847	1,082,847	1,082,184
20.	Liabilities due to derivative agreements		34	34	34	381	381	381
21.	Special and lending funds	15	11,689	11,689	11,689	11,816	11,816	11,816
22.	Debt securities issued	16	-	-	-	160	19,611	19,611
23.	Accrued expenses and deferred income		14,905	16,050	16,213	11,765	12,681	12,799
24.	Subordinated loans	17	-	-	-	-	-	-
25.	Other liabilities	17	18,993	39,953	43,144	21,423	50,746	53,251
27.	Total liabilities		1,715,193	1,777,356	1,779,797	1,160,810	1,207,727	1,209,687
Shareholders' equity								
30.	Capital and reserves		218,762	223,041	219,656	198,217	203,120	200,158
30.1.	Registered share capital		137,267	137,267	137,267	137,267	137,267	137,267
30.2.	Treasury shares		-	-	-	-	-	-
30.3.	Share premium		305	305	305	305	305	305
30.4.	Fixed assets revaluation reserve		18,312	18,312	18,312	18,312	18,312	18,312
30.5.	Financial assets revaluation reserve		-	-	-	-	-	-
30.6.	Retained earnings (deficit)	18	230	230	(1,033)	-	-	(1,205)
30.7.	Net profit (loss) for the year	18	20,545	24,574	24,155	7,245	10,502	11,803
30.8.	Other capital and reserves		42,103	42,353	40,650	35,088	36,734	33,676
30.9.	Funds of branch (division) of foreign bank received from the central office		-	-	-	-	-	-
31.	Minority interest		x	-	-	x	-	-
32.	Total liabilities and shareholders' equity		1,933,955	2,000,397	1,999,453	1,359,027	1,410,847	1,409,845

(end)

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

These financial statements presented on p. 3 - 39 were approved on behalf of the Bank by:

President	Raimondas Baranauskas	
Chief Accountant	Zita Selenkovienė	

AB BANKAS SNORAS



OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2004 AND 2003

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

No.	Item	Notes	Current financial year			Previous financial year		
			Bank	Consolidated		Bank	Consolidated	
				Financial Group	Entire Group		Financial Group	Entire Group
1	2	3	4	5	6	7	8	9
Claims and liabilities of the Bank								
1.	Guarantees and warranties issued		19,149	19,149	19,149	23,053	20,463	20,463
2.	Issued letters of credit		394	394	394	3,964	3,964	3,964
3.	Crediting commitments		193,034	170,211	170,211	143,041	128,710	127,623
4.	Other commitments	19	21,536	21,536	21,536	184,673	184,673	184,673
5.	Financial derivative instruments	19						
5.1	Amounts receivable (claims)		176,073	176,073	176,073	107,563	107,563	107,563
5.2	Amounts payable (liabilities)		169,093	169,093	169,093	107,944	107,944	107,944
(end)								

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

These financial statements presented on p. 3 - 39 were approved on behalf of the Bank by:

President	Raimondas Baranauskas	
Chief Accountant	Zita Selenkovienė	

AB BANKAS SNORAS

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Form 2

No.	Item	Notes	Current financial year			Previous financial year		
			Bank	Consolidated		Bank	Consolidated	
				Financial Group	Entire Group		Financial Group	Entire Group
1	2	3	4	5	6	7	8	9
1.	Interest income		72,333	93,347	91,983	56,078	72,673	71,504
1.1.	on loans to credit and financial institutions and placements with credit institutions		15,696	5,213	5,214	10,062	2,967	2,967
1.2.	on other loans		35,964	39,989	38,624	37,579	37,579	36,390
1.3.	on subordinated loans		24	24	24	24	24	24
1.4.	on debt securities purchased		20,649	20,649	20,649	8,413	8,413	8,433
1.5.	on financial lease	20	-	27,472	27,472	-	23,690	23,690
1.6.	other interest income		-	-	-	-	-	-
2.	Interest expenses		28,010	29,225	29,224	23,965	24,240	24,239
2.1.	on liabilities to credit and financial institutions and amounts due to financial institutions		715	1,342	1,342	419	419	419
2.2.	on deposits and other repayable funds		27,292	27,292	27,291	23,284	23,284	23,283
2.3.	on subordinated loans		-	-	-	-	-	-
2.4.	on debt securities issued		1	591	591	260	537	537
2.5.	other interest expenses	20	2	-	-	2	-	-
3.	Interest income, net (1-2)		44,323	64,122	62,759	32,113	48,433	47,265
4.	Provision expenses		14,553	14,533	14,533	(627)	(627)	(627)
4.1.	for loans and accrued interest		16,119	16,119	16,119	549	549	549
4.2.	For guarantees and warrantees		536	536	536	(412)	(412)	(412)
4.3.	for the general risk of doubtful assets		432	432	432	(594)	(594)	(594)
4.4.	adjustments of expenses incurred due to the recovery of the previously written-off loans		(2,534)	(2,554)	(2,554)	(170)	(170)	(170)
5.	Net interest income after provisions (3-4)		29,770	49,589	48,226	32,740	49,060	47,892
6.	Service fees and commission income		54,740	50,429	50,426	43,615	37,954	37,946
7.	Service fees and commission expenses		4,963	5,137	5,137	4,952	5,039	5,039
8.	Interest, service fees and commission income, net (5+6-7)		79,547	94,881	93,515	71,403	81,975	80,799
9.	Gain from equity securities		4,682	4,670	4,670	15	15	15
9.1.	gain (loss) on investments accounted for under the equity method		-	-	-	-	-	-
10.	Realized profit (loss)		2,032	2,032	2,032	6,778	6,778	8,829
10.1.	from operations in foreign currency		7,405	7,405	7,405	8,914	8,914	8,911
10.2.	from operations in debt securities		262	262	262	2,415	2,415	2,415
10.3.	from operations in equity securities		38	38	38	(452)	(452)	1,602
10.4.	from operations in derivative and other financial instruments		(5,673)	(5,673)	(5,673)	(4,099)	(4,099)	(4,099)
11.	Unrealized profit (loss)		5,174	5,074	5,074	777	772	772
11.1.	from operations in foreign currency		(123)	(223)	(223)	2,893	2,888	2,888
11.2.	from operations in debt securities		(2,266)	(2,266)	(2,266)	(2,335)	(2,335)	(2,335)
11.3.	from operations in equity securities		202	202	202	169	169	169
11.4.	from operations in derivative and other financial instruments		7,361	7,361	7,361	50	50	50

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AB BANKAS SNORAS

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

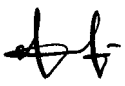
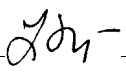
(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

No.	Item	Notes	Current financial year			Previous financial year		
			Bank	Consolidated		Bank	Consolidated	
				Financial Group	Entire Group		Financial Group	Entire Group
1	2	3	4	5	6	7	8	9
12.	Profit from operations (8+9+10+11)		91,435	106,657	105,291	78,973	89,540	90,415
13.	Other banking income	31	359	363	2,731	400	402	2,076
14.	Operating expenses		48,424	53,405	53,993	47,788	51,651	52,670
14.1.	salaries, social security and other payroll related expenses		30,453	32,144	32,696	29,083	30,530	31,182
14.2.	training and business trips expenses		270	277	277	329	338	338
14.3.	rent and premises maintenance expenses		3,892	4,247	4,244	3,639	3,975	4,057
14.4.	transportation and communication		4,452	5,058	5,094	4,563	5,064	5,119
14.5.	advertising, marketing		2,345	3,604	3,628	2,427	3,491	3,703
14.6.	other operating expenses	32	7,012	8,075	8,054	7,747	8,253	8,271
15.	Other Bank's expenses	33	8,500	9,743	10,422	7,588	8,261	8,400
16.	Depreciation and amortization expenses		8,757	8,842	9,003	11,244	11,340	11,430
17.	Expenses for other specific provisions		3,544	7,490	7,490	4,584	6,603	6,603
17.1.	provisions for other doubtful assets		3,526	7,472	7,472	4,584	6,603	6,603
17.2.	provisions for off-balance sheet items		18	18	18	-	-	-
18.	Profit from the ordinary activities (12+13-14-15-16-17)		22,569	27,540	27,114	8,169	12,087	13,388
19.	Extraordinary result (profit, (loss))		(9)	(9)	(2)	228	228	228
20.	Profit (loss) before tax (18+19)		22,560	27,531	27,112	8,397	12,315	13,616
21.	Income tax	29	2,355	3,297	3,297	1,492	2,153	2,153
22.	Deferred taxes and income tax adjustment	29	(340)	(340)	(340)	(340)	(340)	(340)
23.	Minority interest in income (loss)		-	-	-	-	-	-
24.	Net profit (loss)		20,545	24,574	24,155	7,245	10,502	11,803
25.	Basic earnings per share (in LTL)		1.50	1.79	1.76	0.53	0.77	0.86

(end)

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

These financial statements presented on p. 3 - 39 were approved on behalf of the Bank by:

President	Raimondas Baranauskas	
Chief Accountant	Zita Selenkovienė	

AB BANKAS SNORASCASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)


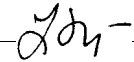
Form 3

No.	Item	Current financial year	Previous financial year
		Entire Group	
1	2	3	4
Cash flows from banking activities			
1.	Income (expenses)		
1.1.	Interest income	87,123	65,846
1.2.	Interest (expenses)	(26,396)	(20,504)
1.3.	Recovery of loans previously written-off	2,554	170
1.4.	Income from foreign exchange operations, net	1,732	4,812
1.5.	Income from operations with securities, net	300	2,384
1.6.	Service fees and commission income, net	45,053	32,912
1.7.	Remuneration-related expenses	(32,426)	(31,228)
1.8.	Other income (expenses)	(28,733)	(23,831)
A	Operating result	49,207	30,561
2.	(Increase) decrease in current assets		
2.1.	(Increase) in compulsory reserves held with the central bank	(96,194)	(17,681)
2.2.	Decrease in loans to credit and financial institutions	690	6,867
2.3.	(Increase) decrease in loans	(68,309)	117,122
2.4.	(Increase) in securities	(367,234)	(143,696)
2.5.	(Increase) in other current assets	(99,411)	(90,756)
B	Changes in current assets	(630,458)	(128,144)
3.	Increase (decrease) in liabilities		
3.1.	Increase (decrease) in liabilities to the central bank	-	-
3.2.	Increase (decrease) in liabilities to credit and financial institutions	260,445	(39,917)
3.3.	Increase (decrease) in public deposits and letters of credit	336,316	277,479
3.4.	Increase (decrease) in other liabilities	(9,115)	(1,737)
C	Changes in liabilities	587,646	235,825
D	Net cash flows from banking activities before taxes (A+B+C)	6,395	138,242
4.	Income tax	(2,957)	(1,822)
E	Net cash flows from banking activities after taxes (D-4)	3,438	136,420
Cash flows from investing activities			
5.	Disposals (acquisitions) of tangible and intangible fixed assets	(4,880)	(4,297)
6.	(Investments into) and sale of securities	21,140	(23,496)
7.	Dividends received	17	15
8.	Interest received	-	-
9.	Cash flows from other investing activities	-	-
F	Net cash flows from investing activities	16,277	(27,778)
Cash flows from financing activities			
10.	Issue of own securities (only paid part)	(19,611)	13,969
11.	(Purchase) of own securities	-	-
12.	Dividends paid	-	-
13.	Interest paid	(591)	(533)
14.	Cash flows from other financial activities	-	-
G	Net cash flows from financing activities	(20,202)	13,436
Increase (decrease) in cash (E+F+G)		(487)	122,078
15.	Cash and cash equivalents at the end of the financial year	312,335	312,822
16.	Cash and cash equivalents at the beginning of the financial year	312,822	190,744

(end)

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

These financial statements presented on p. 3 - 39 were approved on behalf of the Bank by:

President	Raimondas Baranauskas	
Chief Accountant	Zita Selenkovienė	

AB BANKAS SNORAS**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004**

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

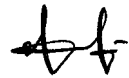
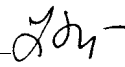
Form 4

No.	Equity capital	Current financial year	Previous financial year	Increase (+) or decrease (-)
1	2	3	4	5
Bank				
1. Capital and reserves				
1.1. Registered share capital		137,267	137,267	-
1.2. (Treasury shares)		-	-	-
1.3. Share premium		305	305	-
1.4. Reserve capital		2,790	2,428	362
1.5. Retained earnings or deficit		230	-	230
1.6. General provision for asset losses		-	-	-
1.7. Other general reserves		39,313	32,660	6,653
1.8. Fixed assets revaluation reserve		18,312	18,312	-
1.9. Financial assets revaluation reserve		-	-	-
1.10. Restricted (distributable) profit		-	-	-
1.11. Net profit for the year		20,545	7,245	13,300
2. Total shareholders' equity		<u>218,762</u>	<u>198,217</u>	<u>20,545</u>
Financial Group				
1. Capital and reserves				
1.1. Registered share capital		137,267	137,267	-
1.2. (Treasury shares)		-	-	-
1.3. Share premium		305	305	-
1.4. Reserve capital		2,790	2,428	362
1.5. Retained earnings or deficit		230	-	230
1.6. General provision for asset losses		-	-	-
1.7. Other general reserves		39,563	34,306	5,257
1.8. Fixed assets revaluation reserve		18,312	18,312	-
1.9. Financial assets revaluation reserve		-	-	-
1.10. Restricted (distributable) profit		-	-	-
1.11. Net profit for the year		24,574	10,502	14,072
2. Total shareholders' equity		<u>223,041</u>	<u>203,120</u>	<u>19,921</u>
Entire Group				
1. Capital and reserves				
1.1. Registered share capital		137,267	137,267	-
1.2. (Treasury shares)		-	-	-
1.3. Share premium		305	305	-
1.4. Reserve capital		2,790	2,428	362
1.5. Retained earnings or deficit		(1,033)	(1,205)	172
1.6. General provision for asset losses		-	-	-
1.7. Other general reserves		37,860	31,248	6,612
1.8. Fixed assets revaluation reserve		18,312	18,312	-
1.9. Financial assets revaluation reserve		-	-	-
1.10. Restricted (distributable) profit		-	-	-
1.11. Net profit for the year		24,155	11,803	12,352
2. Total shareholders' equity		<u>219,656</u>	<u>200,158</u>	<u>19,498</u>

(end)

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

These financial statements presented on p. 3 - 39 were approved on behalf of the Bank by:

President	Raimondas Baranauskas	
Chief Accountant	Zita Selenkovienė	

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

GENERAL PROVISIONS

AB Bankas Snoras (hereinafter referred to as "the Bank") arranges its financial accounting and prepares financial statements in accordance with resolutions of the Bank of Lithuania and International Financial Reporting Standards to the extent they are in compliance with the laws and other legal acts of the Republic of Lithuania. The Bank has prepared, approved and updates, when necessary, "The policy of financial accounting and preparation of financial statements according to the International Financial Reporting Standards", where the main accounting principles are described, such as: prudence, substance over form, materiality, going concern, comparability, accrual basis, understandability, relevance, reliability, faithful presentation, neutrality and completeness.

These financial statements are prepared in accordance with the requirements of the decree of the Board of the Bank of Lithuania No. 294 "On publication of financial statements of banks", dated 24 October 1996 (including its subsequent amendments).

The preparation of the financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. Significant estimates for the preparation of the accompanying financial statements are made in the event of depreciation, loan loss provisioning, contingent liabilities and impairment evaluation. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

ACCOUNTING PRINCIPLES

The main accounting principles adopted while preparing these financial statements are set out below:

Presentation currency

The accounting is arranged and the accompanying financial statements are presented in the local currency of the Republic of Lithuania, the Litas.

Starting from 2 February 2002, Lithuanian Litas is pegged to Euro at the rate of 3,4528 Litas for 1 Euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

Consolidation principles

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

The financial statements for the year 2004 include financial information of the Bank and its wholly owned subsidiaries – financial institutions: UAB Snoro Lizingas and UAB Verslo Vizija (hereinafter jointly referred to as "the Financial Group") and the Financial Group and other wholly owned subsidiaries of the Bank: UAB Vilniaus Kapitalo Vystymo Projektai and UAB Interfa (hereinafter jointly referred to as "the Entire Group").

The comparative information for 2003 includes the financial information of the Bank and its wholly owned subsidiary – financial institution: UAB Snoro Lizingas (hereinafter jointly referred to as "the Financial Group") and the Financial Group and another wholly owned subsidiary of the Bank UAB Vilniaus Kapitalo Vystymo Projektai (hereinafter jointly referred to as "the Entire Group").

Investments into subsidiaries in the Bank stand alone financial statements are accounted for at cost.

Interest income and expense, fees and commission income

Interest income is recognised on accrual basis. Provisions are made for accrued interest income on loans, which are regarded as bad or doubtful. Interest is no longer accrued from the moment when the payment of loan or the interest is overdue for more than 60 days. All interest income, which was previously recognised as income but were not received, are recognised as provision expenses in the income statement and decrease of current assets in the balance sheet when certain loan is attributed to the bad loans group.

Interest expenses are recognised on accrual basis.

Commission, fees and other proceeds are recognised at the date of related transaction. Commission, fees and other expenses are recognised as incurred.

Loan administration fees are recognised on accrual basis.

Interest income from the long term financial lease is recognised based on a constant periodic rate of return.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Fixed tangible and intangible assets

Tangible and intangible assets are recorded in the financial statements at cost. Buildings and service outlets after initial recognition are accounted for at revalued amounts, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and revaluation. Other tangible and intangible assets after initial recognition are accounted for at cost less accumulated depreciation/amortisation and revaluation.

Revaluation of buildings is made on periodical basis, assuring that the carrying amount does not differ significantly from their fair value as of the balance sheet date. Revaluation of tangible assets is performed by independent appraisers.

The depreciation of buildings is calculated on a straight-line basis over their estimated useful economic lives. The revaluation reserve for buildings is being reduced when the relevant assets are disposed or written-off.

The annual depreciation rates are as follows:

Buildings	60 years
Service outlets	20 years
Vehicles	6 years
Furniture, fixtures and fittings	5-7 years
Computer hardware	3 years
Software	1-5 years

The useful lives indicated above correspond to the actual useful life of the assets. All the assets in the value exceeding LTL 500 are capitalised.

When the estimated fair value of an asset is lower than its balance value, the balance value of this asset should be immediately reduced to the amount of fair value and such impairment shall be recognised as expenses. However, such impairment shall be deducted from the amount of increase of the previous revaluation of this asset accounted for in the revaluation reserve, to the extent it does not exceed the amount of such increase.

When the estimated fair value of an asset is higher than its balance value, the balance value of this asset should be increased to the amount of fair value and such increase shall be recorded in the revaluation reserve of non-financial assets under the equity caption. However, such increase in value shall be recognised as income only to the extent it does not exceed the amount of the previous revaluation decrease recognised as expenses.

Profit and loss from the disposal or retirement of the assets is calculated on the basis of balance value and included into the operating profit (loss). Repair and renovation expenses are recognised in the income statement for the period when such expenses are incurred.

Intangible assets are recorded at cost, less accumulated amortization, which is calculated on a straight-line basis over the estimated useful economic lives of assets.

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, forward foreign exchange agreements and other derivative financial instruments are initially recognized in the balance sheet at cost (including transaction costs) and subsequently are revalued to their fair value. Fair values, respectively, are obtained from quoted market prices or options pricing models. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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

Trading securities

Trading securities are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, and such securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognized at cost (including transaction costs) and subsequently re-measured at fair value based on quoted prices. All related realized and unrealized gains and losses are included in income from trading securities and securities held as available for sale. Interest earned while holding trading securities is reported as interest income. Dividends received are included in income from trading securities and securities held as available for sale.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention are recognized at trade date (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 YEAR ENDED 31 DECEMBER 2004**

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Sale and repurchase agreements and lending securities

Securities sold under repurchase agreements are recognised in the financial statements as trading or investment securities and the counterparty liability is included, respectively in amounts due to other banks, deposits from banks, other deposits, or deposits from customers. Securities purchased under resell agreements are recorded as loans or 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 repurchase agreements using fixed interest rate for the whole period.

Borrowed securities are not included into the financial statements, unless they would be sold to the third party. In this case, the purchase and sale would be recorded as profit or loss in the trading income. Liability to return these securities is presented at fair value as trade liability

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.

Investment securities

The Group has classified its investment securities, purchased loans and accounts receivable into the following two categories:

- held-to-maturity;
- available-for-sale.

Investment securities with fixed maturity of which the management has both the intent and the ability to hold till maturity are classified as held-to-maturity. Investment securities intended to be held till maturity, through which may be sold due to the needs for liquidity or changes in interest rates or exchange rates are classified as available for sale. Management determines the appropriate classification of its investments at the time of the purchase.

Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any provisions for impairment.

The carrying value of the financial asset is revalued to its fair value if the fair value of this asset is less its carrying value. 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 interest rate for a similar financial asset in the market.

Interest earned while holding investment securities is reported as interest income. Dividends received are included in income from trading securities and investment securities held as available for sale when dividends are announced.

All regular purchases and sales of trading securities are recognized at trade date, which is the date when the Group commits to purchase or sell the asset. All other purchases and sales are recognized as derivative instruments until settlement day.

Originated loans and provisions for loans

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.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Specific provisions

Specific provisions are formed for the loans, prepayments, guarantees and other doubtful assets and are recognised as expenses in the statement of income. The demand of such specific provisions is set on each instance based on Rules for Doubtful Assets Evaluation, Grouping and Formation of Specific Provisions, approved by AB Bankas Snoras based on the resolution of the Board of the Bank of Lithuania dated 20 March 2003 No 15 Regarding Approval of General Provisions on Evaluation, Grouping and Formation of Specific Provisions. Based on those provisions, the Bank uses the following grouping of the loans, accrued amounts, guarantees and other doubtful assets and percentage of provisions:

1. Standard loans	0 percent
2. Possible risk loans	1-15 percent
3. Increased risk loans	15-25 percent
4. Doubtful loans	40-50 percent
5. Bad loans	100 percent

While setting the demand on specific provisions the evaluation of the client is made based on how the client follows the loan and interest payment schedule and overall financial position of the client as well as considering the loan restructurisation, following the business plan and country risk. Provisions are calculated less the value of the collateral, multiplied by a certain coefficient. Coefficients applied to the value of collateral are based on the type of the collateral.

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 uncollectible, it is written off against the related provision for impairments; subsequent recoveries are credited to the adjustment of expenses incurred due to the recovery of the previously written-off loans in the income statement.

If the amount of the impairment subsequently decreases, the release of the provision is recognised as adjustment of expenses incurred due to the recovery of the previously written-off loans in the income statement.

Purchase of debts (factoring)

A factoring transaction is a funding transaction wherein the Bank finances its customers through buying their demand rights. Companies alienate rights to invoices due at a future date to the Bank. Factoring transactions comprise factoring transactions with recourse (the Bank is entitled to sell back the overdue claim to the customer). The factoring's revenue comprises the lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest income depending on the duration of the payment term set by the purchaser.

The factoring balance includes the aggregate amount of factored invoices outstanding as of the end of accounting period.

Borrowings and borrowing costs

Borrowing costs are expensed as incurred.

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost using the method of actual interest rate, the difference between net proceeds and redemption value being recognised in the income statements over the period of the borrowings. The borrowings are classified as non-current if the completion of a refinancing agreement before authorisation of the financial statements for issue provides evidence that the substance of the liability at the balance sheet date was long-term.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

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), using the constant rate of return.

The Group as lessee:

Assets held under finance leases are recognized as assets at value, equal to the fair value of the leased assets at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs (interest expenses), 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 using a constant interest rate.

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

Foreclosed assets held for resale

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

Impairment of assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statement of income.

Related parties

In accordance with the law on Banks of the Republic of Lithuania, related parties of the Bank are:

1. individuals owning a block of shares in the Bank and (or) voting rights;
2. legal entities, in which the Bank owns a block of shares and (or) voting rights;
3. management of legal entities foreseen in articles 1 and 2 including their close relatives and spouses;
4. individuals, being close relatives or spouses of individuals foreseen in the article 1;
5. entities controlled by the individuals foreseen in the article 1.

Contingencies

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

Subsequent events

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

AB BANKAS SNORAS**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Taxation

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

The standard income tax rate in Lithuania is 15%. Tax losses can be carried forward for 5 consecutive years, except for the losses incurred as a result of disposal of securities and / or derivative financial instruments that can be carried forward for 3 consecutive years. The losses from disposal of securities and / or derivative financial instruments can be only used to reduce the taxable income earned from the transactions of the same nature.

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

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

Cash and cash equivalents

For the purposes of the cash flow statement, highly liquid investments with the maturity up to least 3 months are regarded as cash equivalents. Compulsory reserves held with the Bank of Lithuania are not considered as cash equivalents.

Accounting for transactions in foreign currencies

Transactions denominated in foreign currency are translated into Litas at the official exchange rates set by the Bank of Lithuania on the date of the transaction that approximate to the market rates. Monetary assets and liabilities, including the unrealised liabilities to purchase or sell foreign currency according to spot transactions, if any, are translated at the exchange rates prevailing at the balance sheet date.

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

	<u>2004</u>	<u>2003</u>
USD	2.5345	2.7621
EUR	3.4528	3.4528
RUB	0.09106	0.0945

All gains and losses related to cash transactions are recorded in the income statement for the period when incurred.

Fair value of financial instruments

Fair value of financial instruments 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 significantly from their carrying value, such fair values are separately disclosed in the notes to the financial statements.

Earnings per share

For the purpose of calculating earnings per share, the weighted average number of common shares outstanding during 2004 and 2003 was 13,726,720. The Group had no dilutive options outstanding during 2004 and 2003 and as of 31 December 2004 and 2003.

Comparative figures

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

Segment information

For the management purposes, each entity of the Group is analysed separately, without grouping into individual segments. Main financial information on each of the companies is presented in Note 7.

AB BANKAS SNORAS**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 1. Activity of credit institution

AB Bankas Snoras (hereinafter referred to as "the Bank") was founded on 17 March 1992. The headquarters of the Bank are located in Vilnius, Vivulskio Str. 7, Lithuania. The Bank has 10 branches in Lithuania. The Bank offers the following banking services: accepts deposits from individual, issues loans and provides short-term trade financing and consults clients, processes payments in Litas and other currencies, issues and services magnetic and microchip cards, collects payments, exchanges currency and provides other services.

As of 31 December 2004 the Bank and the Group employed 860 and 907 employees, respectively (818 and 862 as of 31 December 2003).

As of 31 December 2004 the shareholding of AB Bankas Snoras was as follows:

	Current financial year		Previous financial year	
	Ordinary shares held	Percentage of ownership	Ordinary shares held	Percentage of ownership
CONVERSGROUP (LUXEMBURG) HOLDING COMPANY *	6,848,800	49.89	6,848,800	49.89
NUNTEL HOLDINGS LLC	1,358,336	9.90	1,358,336	9.90
HOFFMAN DEVELOPMENT LLC	1,358,336	9.90	1,358,336	9.90
SUNNIGAN INC.	1,190,309	8.67	1,187,031	8.65
SKEPI SHIPING CO LTD.	1,141,125	8.31	1,141,125	8.31
CTPS LTD.	715,008	5.21	715,008	5.21
KAZAN INTERNATIONAL	-	-	394,630	2.87
AXCOL PROPERTIES LTD.	231,547	1.69	231,547	1.69
Other legal persons	405,312	2.95	163,666	1.19
Natural persons	477,947	3.48	328,241	2.39
	<u>13,726,720</u>	<u>100.00</u>	<u>13,726,720</u>	<u>100.00</u>

* On 24 September 2004, the name of the major shareholder INCORION INVESTMENT HOLDING COMPANY was changed into CONVERSGROUP (LUXEMBURG) HOLDING COMPANY.

The issued share capital of the Bank consists of 13,726,720 ordinary shares with the par value of LTL 10 each. As of 31 December 2004 all shares were fully paid.

Note 2. Placements with the central banks

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Funds in correspondent accounts	-	-	-	-
Compulsory reserves	149,201	149,201	53,007	53,007
Special deposits	-	-	-	-
	<u>149,201</u>	<u>149,201</u>	<u>53,007</u>	<u>53,007</u>

The compulsory reserves are held with the Bank of Lithuania according the requirements of the Bank of Lithuania as non-interest bearing deposits. The amount of the compulsory reserves depends on liabilities of the Bank in Litas and foreign currencies. As of 31 December 2004 and 31 December 2003 the compulsory reserves rate amounted to 6%.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 3. Due from banks and other credit and financial institutions

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Funds in correspondent accounts	238,972	238,972	51,476	51,502
Deposits	139,767	139,809	230,640	230,640
Repurchase agreements	-	-	-	-
Loans				
short-term (within one year)	-	-	-	-
long-term (after one year)	215,334	980	107,751	1,670
Total	594,073	379,761	389,867	283,812
(Provisions):				
(specific provisions *)	(10,052)	(7,437)	(264)	(264)
(specific provisions for the general risk of loan portfolio)	-	-	-	-
Total, net of provisions	584,021	372,324	389,603	283,548

* The need for specific provisions in the correspondent accounts at the banks of the CIS countries increased during the year due to the changes in cash balances at these banks and forming of specific provisions for the term deposits and loans to credit and finance institutions.

Note 4. Loans to customers

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Loans to customers				
short-term (within one year)	71,753	71,753	50,964	50,964
long-term (after one year)	376,695	464,698	408,854	408,854
Reverse repurchase agreements	8,238	8,238	713	713
Factoring	-	-	-	-
Discounted bills of exchange				
Short-term	-	-	10,673	10,923
Long-term	-	-	-	-
Total	456,686	544,689	471,204	471,454
(Provisions):				
(specific provisions *)	(17,561)	(20,176)	(6,362)	(6,362)
(specific provisions for the general risk of loan portfolio)	(630)	(630)	(703)	(703)
Total, net of provisions	438,495	523,883	464,139	464,389

Changes in specific provisions in 2004 are as follows:

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Specific provisions at the beginning of the financial year	6,362	6,362	12,150	12,150
Increase in specific provisions:				
<i>due to increased risk</i>	21,881	24,496	26,919	26,919
<i>due to change in foreign exchange rates</i>	-	-	-	-
	21,881	24,496	26,919	26,919
Decrease in specific provisions:				
<i>due to decreased or eliminated risk</i>	(8,703)	(8,703)	(25,097)	(25,097)
<i>due to written off loans</i>	(1,863)	(1,863)	(6,992)	(6,992)
<i>due to change in foreign exchange</i>	(116)	(116)	(618)	(618)
	(10,682)	(10,682)	(32,707)	(32,707)
Specific provisions at the end of the financial year	17,561	20,176	6,362	6,362

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 4. Loans to customers (cont'd)

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Specific provisions for loan portfolio at the beginning of the financial year	703	703	1,297	1,297
Increase in specific provisions	307	307	500	500
(Decrease) in specific provisions	(380)	(380)	(1,094)	(1,094)
Specific provisions for loan portfolio at the end of the financial year	630	630	703	703

Note 5. Loans by economic activities**Bank**

Loans by economic activities	Current financial year			Specific provisions
	Short term loans	Long term loans	Total loans	
Loans to legal entities, and entities without legal person status:				
companies of agriculture, hunting, forestry	406	3,786	4,192	(21)
processing industry	11,873	89,415	101,288	(13,355)
electricity, gas and water supply	-	-	-	-
construction companies	2,316	10,342	12,658	(323)
wholesale and retail trade, repair of cars and motorcycles, personal and household appliances	26,322	53,062	79,384	(1,112)
hotels and restaurants	4	20,885	20,889	(367)
transport, warehousing and communications	3,018	1,198	4,216	(115)
real estate, rent and other businesses	20,831	17,969	38,800	(62)
health and social services	72	497	569	(359)
public government	4,000	-	4,000	-
education	-	-	-	-
other utilities, social and personal services	107	1,792	1,899	(45)
other types of economic activities	199	-	199	-
Total	69,148	198,946	268,094	(15,759)
To individuals	10,843	177,749	188,592	(1,802)
Total loans granted	79,991	376,695	456,686	(17,561)

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 5. Loans by economic activities (cont'd)**Financial group**

Loans by economic activities	Current financial year			Specific provisions
	Short term loans	Long term loans	Total loans	
Loans to legal entities, and entities without legal person status:				
companies of agriculture, hunting, forestry	406	3,786	4,192	(21)
processing industry	11,873	89,415	101,288	(13,355)
electricity, gas and water supply	-	-	-	-
construction companies	2,316	10,342	12,658	(323)
wholesale and retail trade, repair of cars and motorcycles, personal and household appliances	26,322	53,062	79,384	(1,112)
hotels and restaurants	4	20,885	20,889	(367)
transport, warehousing and communications	3,018	1,198	4,216	(115)
real estate, rent and other businesses	20,831	17,969	38,800	(62)
health and social services	72	497	569	(359)
public government	4,000	-	4,000	-
education	-	-	-	-
other utilities, social and personal services	107	89,795	89,902	(2,660)
other types of economic activities	199	-	199	-
Total	69,148	286,949	356,097	(18,374)
To individuals	10,843	177,749	188,592	(1,802)
Total loans granted	79,991	464,698	544,689	(20,176)

Bank

Loans by economic activities	Previous financial year			Specific provisions
	Short term loans	Long term loans	Total loans	
Loans to legal entities, and entities without legal person status:				
companies of agriculture, hunting, forestry	551	2,371	2,922	-
processing industry	17,344	75,455	92,799	(3,976)
electricity, gas and water supply	-	-	-	-
construction companies	4,137	9,283	13,420	(625)
wholesale and retail trade, repair of cars and motorcycles, personal and household appliances	26,940	176,742	203,682	(1,119)
hotels and restaurants	199	16,338	16,537	-
transport, warehousing and communications	4,904	1,626	6,530	(18)
real estate, rent and other businesses	1,382	30,256	31,638	-
health and social services	282	3,679	3,961	(58)
public government	5,000	58	5,058	-
education	-	-	-	-
other utilities, social and personal services	316	2,852	3,168	(28)
other types of economic activities	-	32,133	32,133	-
Total	61,055	350,793	411,848	(5,824)
To individuals	1,295	58,061	59,356	(538)
Total loans granted	62,350	408,854	471,204	(6,362)

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 5. Loans by economic activities (cont'd)**Financial group**

Loans by economic activities	Previous financial year			Specific provisions
	Short term loans	Long term loans	Total loans	
Loans to legal entities, and entities without legal person status:				
companies of agriculture, hunting, forestry	551	2,371	2,922	-
processing industry	17,344	75,455	92,799	(3,976)
electricity, gas and water supply	-	-	-	-
construction companies	4,137	9,283	13,420	(625)
wholesale and retail trade, repair of cars and motorcycles, personal and household appliances	27,190	176,742	203,932	(1,119)
hotels and restaurants	199	16,338	16,537	-
transport, warehousing and communications	4,904	1,626	6,530	(18)
real estate, rent and other businesses	1,382	30,256	31,638	-
health and social services	282	3,679	3,961	(58)
public government	5,000	58	5,058	-
education	-	-	-	-
other utilities, social and personal services	316	2,852	3,168	(28)
other types of economic activities	-	32,133	32,133	-
Total	61,305	350,793	412,098	(5,824)
To individuals	1,295	58,061	59,356	(538)
Total loans granted	62,600	408,854	471,454	(6,362)

As of 31 December 2004 AB Bankas Snoras complied with the maximum credit exposure to one borrower requirement set by the Bank of Lithuania, according to which the total amount of loans granted to one borrower and related parties may not exceed 25% of the eligible Bank's capital.

As of 31 December 2004 the largest exposure to one borrower was LTL 44,876 thousand, or 21.09 % of the eligible Bank's capital (LTL 34,649 thousand and amounted to 18% of the eligible Bank's capital as of 31 December 2003).

Note 6. Financial lease

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Financial lease receivables according their terms:				
short-term (receivables during one year)	-	158,285	-	126,719
one to five years (inclusive)	-	35,775	-	25,161
after five years	-	685	-	7
	-	194,745	-	151,887
Specific provisions for financial lease receivable	-	(5,822)	-	(1,876)
Total financial lease receivable, net	-	188,923	-	150,011

UAB Snoro Lizingas, the subsidiary of the Bank, is engaged in the leasing activity. The average term of leasing agreement is 9 months.

AB BANKAS SNORAS**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 6. Financial lease (cont'd)

As of 31 December 2004 the Group's minimum lease receivables of the future periods and the present value of minimum lease receivables were as follows:

	Minimum lease receivables		Present value of minimum lease receivables	
	Current financial year	Previous financial year	Current financial year	Previous financial year
Accounts receivable under financial lease agreements:				
short-term (receivables during one year)	172,384	139,779	158,285	126,719
one to five years (inclusive)	38,505	26,736	35,775	25,161
after five years	702	8	685	7
Total	211,591	166,523	194,745	151,887
Less: unearned income	(16,846)	(14,636)	-	-
Minimum financial lease receivable	194,745	151,887	194,745	151,887
Less: specific provisions for the financial lease receivable	(5,822)	(1,876)	(5,822)	(1,876)
Present value of minimum lease payments	188,923	150,011	188,923	150,011

The Group's financial lease receivables by type of leased assets were as follows:

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Consumer goods	-	187,383	-	148,976
Real estate	-	5,600	-	-
Manufacturing equipment	-	208	-	425
Vehicles	-	726	-	993
Medical equipment	-	132	-	174
Office equipment	-	178	-	412
Other assets	-	518	-	907
Total financial lease receivables by type of leased assets	-	194,745	-	151,887
Specific provisions for the financial lease receivables	-	(5,822)	-	(1,876)
Total financial lease receivable by type of the leased asset, net	-	188,923	-	150,011

The unearned income from the lease portfolio outstanding was LTL 16,846 thousand as of 31 December 2004 (LTL 14,636 thousand as of 31 December 2003).

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 7. Debt and equity securities

Debt securities	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Debt securities held for trading				
Government treasury securities of the Republic of Lithuania	132,181	132,181	111,593	111,593
Other debt securities	449,938	449,938	128,363	128,363
Total debt securities held for trade	582,119	582,119	239,956	239,956
Debt securities held to maturity				
Bills of exchange				
short-term (within one year)	-	-	23,479	23,479
long-term (after one year)	1,343	1,343	-	-
Government treasury securities of the Republic of Lithuania	-	-	-	-
Total debt securities held to maturity	1,343	1,343	23,479	23,479
General provisions	-	-	-	-
Specific provisions	(81)	(81)	(4,696)	(4,696)
Total debt securities, net	583,381	583,381	258,739	258,739

The Bank has long term securities of the Lithuanian government with the maturity falling in 2005 to 2013.

Equity securities	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Investments into subsidiaries:				
UAB Snoro Lizingas	5,000	-	5,000	-
UAB Verslo Vizija	1,000	-	-	-
UAB Vilniaus Kapitalo Vystymo Projektai	7,139	7,139	7,139	7,139
UAB Interfa	500	500	-	-
Total investments into subsidiaries	13,639	7,639	12,139	7,139
Equity securities held for trade:				
Listed	1,163	1,163	336	336
Not listed	-	-	474	474
Total equity securities	1,163	1,163	810	810
Other equity securities	111	111	116	116
Total investments into equity securities	14,913	8,913	13,065	8,065

The main activity UAB Snoro Lizingas – long term financial lease of consumer goods and services.

The main activity UAB Verslo Vizija – projects financing in CIS countries (Moscow).

The main activity UAB Interfa and UAB Vilniaus Kapitalo Vystymo Projektai is related to real estate development, rent and sale.

The Bank is the sole shareholder of all subsidiaries.

As of 8 October 2004 the Bank has acquired 100 percent of the shares of UAB Interfa from its subsidiary UAB Vilniaus Kapitalo Vystymo Projektai. UAB Interfa is consolidated in these financial statements from 1 January 2004.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 7. Debt and equity securities (cont'd)

The main results of the subsidiaries:

	Bank	UAB Snoro Lizingas	UAB Verslo Vizija	UAB Interfa	UAB Vilniaus Kapitalo Vystymo Projektai	Elimination	Group
Income							
Internal	25,219	7	1	63	-	(25,290)	-
External	114,146	36,631	4,004	-	2,187	-	156,968
Expenses							
Internal	225	20,951	3,077	-	359	(24,612)	-
External	107,823	10,757	785	59	1,429	-	120,853
Depreciation expenses	8,757	85	-	3	158	-	9,003
Income tax	2,015	816	126	-	-	-	2,957
Net result for the year	20,545	4,029	17	1	241	(678)	24,155
Assets	1,933,955	200,602	89,149	596	38,173	(263,022)	1,999,453
Liabilities	1,715,193	191,323	88,132	4	32,051	(246,906)	1,779,797

Note 8. Financial assets

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Trading financial assets				
Equity securities	1,163	1,163	810	810
Debt securities	108,800	108,800	71,642	71,642
Treasury securities	473,319	473,319	168,314	168,314
Loans	-	-	-	-
	583,282	583,282	240,766	240,766
Investments held to maturity				
Debt securities	1,343	1,343	23,479	23,479
Treasury securities	-	-	-	-
	1,343	1,343	23,479	23,479
Financial assets available for sale				
Equity securities	-	-	-	-
Debt securities	-	-	-	-
Treasury securities	-	-	-	-
	-	-	-	-
Loans and receivables				
Loans	438,495	523,883	464,139	464,389
Receivables	14,633	213,276	28,125	190,679
	453,158	737,159	492,264	655,068

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 9. Intangible assets
Bank

	System software	Software developing tools	Application software	Information processing, demonstration, training software	Other intangible assets	Total
Acquisition cost						
As of 31 December 2003	2,601	25	1,414	43	3,458	7,541
Additions	161	-	290	-	18	469
Write-offs	-	-	(198)	-	(3,039)	(3,237)
As of 31 December 2004	2,762	25	1,506	43	437	4,773
Amortisation						
As of 31 December 2003	2,064	14	921	42	2,869	5,910
Charge for the year	375	5	256	-	489	1,125
Write-offs	-	-	(199)	-	(3,038)	(3,237)
As of 31 December 2004	2,439	19	978	42	320	3,798
Net book value						
As of 31 December 2003	537	11	493	1	589	1,631
As of 31 December 2004	323	6	528	1	117	975

Financial group

	System software	Software developing tools	Application software	Information processing, demonstration, training software	Other intangible assets	Total
Acquisition cost						
As of 31 December 2003	2,603	25	1,451	43	3,462	7,584
Additions	161	-	298	-	19	478
Write-offs	-	-	(198)	-	(3,039)	(3,237)
As of 31 December 2004	2,764	25	1,551	43	442	4,825
Amortisation						
As of 31 December 2003	2,065	14	934	42	2,870	5,925
Charge for the year	375	5	269	-	490	1,139
Write-offs	-	-	(199)	-	(3,038)	(3,237)
As of 31 December 2004	2,440	19	1,004	42	322	3,827
Net book value						
As of 31 December 2003	538	11	517	1	592	1,659
As of 31 December 2004	324	6	547	1	120	998

Intangible assets are amortised during a period of 1 to 5 years.

AB BANKAS SNORAS**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 10. Tangible assets**Bank**

	Buildings and other real estate	Vehicles	Office equipment and other	Construc- tion in progress	Total
Acquisition cost					
As of 31 December 2003	28,237	6,161	68,235	61	102,694
Additions	-	1,552	5,518	-	7,070
Disposals, write-offs	-	(65)	(3,164)	-	(3,229)
As of 31 December 2004	28,237	7,648	70,589	61	106,535
Depreciation					
As of 31 December 2003	-	4,537	23,367	-	27,904
Charges for the year	517	771	10,059	-	11,347
Disposals and write-offs	-	(60)	(3,090)	-	(3,150)
As of 31 December 2004	517	5,248	30,336	-	36,101
Net book value					
As of 31 December 2003	28,237	1,624	44,868	61	74,790
As of 31 December 2004	27,720	2,400	40,253	61	70,434

The above mentioned assets are acquired for the needs of the Bank.

Total annual amortization charge is included in operating expenses in the statement of income of the Bank.

The carrying value of the vehicles and office equipment acquired by the Bank under financial lease agreements amounts to LTL 453 thousand and LTL 38 thousand respectively as of 31 December 2004 (LTL 487 thousand and LTL 46 thousand as of 31 December 2003, respectively).

On 1 March 2004 the Bank revalued its buildings and service outlets for the value as of 31 December 2003. The revaluation was performed by independent property appraisers UAB Verslavita. The revaluation of buildings was under the market value basis and revaluation of service outlets under the depreciated replacement cost basis.

As of 31 December 2003 the net book value of the buildings and service outlets would be LTL 20,095 thousand and LTL 20,659 thousand respectively, should they be accounted for at cost less depreciation and adjustment of value.

Financial group

	Buildings and other real estate	Vehicles	Office equipment and other	Construc- tion in progress	Total
Acquisition cost					
As of 31 December 2003	28,237	6,268	68,487	61	103,053
Additions	-	1,547	5,532	-	7,079
Disposals, write-offs	-	(129)	(3,169)	-	(3,298)
As of 31 December 2004	28,237	7,686	70,850	61	106,834
Depreciation					
As of 31 December 2003	-	4,594	23,494	-	28,088
Charges for the year	517	793	10,104	-	11,414
Disposals and write-offs	-	(85)	(3,095)	-	(3,180)
As of 31 December 2004	517	5,302	30,503	-	36,322
Net book value					
As of 31 December 2003	28,237	1,674	44,993	61	74,965
As of 31 December 2004	27,720	2,384	40,347	61	70,512

The Group did not pledge any assets to secure loans or guarantees received.

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 11. Other assets

	Current financial year			Previous financial year		
	Bank	Consolidated		Bank	Consolidated	
		Financial group	Entire group		Financial group	Entire group
Other assets						
receivable for a bill of exchange sold	-	-	-	19,630	19,630	19,630
other trade receivables	89	9,670	12,327	340	11,986	15,921
inventories	1,395	1,395	4,578	1,945	1,949	5,761
settlement transactions in progress	1,532	1,532	1,532	990	990	990
prepaid assets	395	395	395	540	540	540
amounts receivable for the payment cards	509	509	509	510	510	510
amounts receivable for non-banking payment cards	-	-	-	5	5	5
state debt	-	-	-	-	-	-
assets held for sale	-	-	27,601	-	-	17,904
other assets	327	457	457	237	237	237
Total other assets	4,247	13,958	47,399	24,197	35,847	61,498
Specific provisions	(71)	(194)	(194)	-	(143)	(143)
Specific provisions for general risk of other assets	(505)	(505)	(505)	-	-	-
Total other assets, net	3,671	13,259	46,700	24,197	35,704	61,355

Changes in specific provisions in 2004 are as follows:

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Specific provisions at the beginning of the financial year	-	143	-	-
Increase in specific provisions:				
due to increased risk	71	71	-	143
due to changes in foreign exchange	-	-	-	-
	71	71	-	143
Decrease in specific provisions:				
due to decreased or eliminated risk	-	(20)	-	-
due to write-off of accrued income	-	-	-	-
due to changes in foreign exchange	-	-	-	-
	-	(20)	-	-
Specific provisions at the end of the financial year	71	194	-	143
	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Specific provisions for the general risk of other assets at the beginning of the financial year	-	-	-	-
Increase in specific provisions	817	817	-	-
(Decrease) in specific provisions	(312)	(312)	-	-
Specific provisions for the general risk of other assets at the end of the financial year	(505)	(505)	-	-

AB BANKAS SNORAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 12. Provisions for assets and off balance liabilities

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Specific provisions for asset items				
for loans	17,561	20,176	6,362	6,362
for accrued interest income	107	107	87	87
for debt securities	81	81	4,696	4,696
for other doubtful assets	71	194	-	143
for funds at banks and other credit and finance institutions	10,052	7,437	264	264
	27,872	27,995	11,409	11,552
Specific provisions for the portfolio of doubtful assets				
for loan portfolio	630	630	703	703
for other doubtful assets	505	505	-	-
for financial lease receivable	-	5,822	-	1,876
	1,135	6,957	703	2,579
Provisions for off balance sheet items				
for guarantees and warranties	534	534	-	-
for general risk of the off balance sheet items	18	18	-	-
	552	552	-	-

Note 13. Due to banks and other credit and financial institutions

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Funds in correspondent accounts	5,370	5,370	18,904	18,904
Deposits	169,869	168,493	13,514	10,741
of which deposits pledged for the loans issued	17,773	17,773	33	33
Repurchase agreements	74,793	74,793	-	-
Loans				
Short-term (within one year)	-	41,434	-	-
Long-term (over one year)	-	-	-	-
	-	41,434	-	-
Total	250,032	290,090	32,418	29,645

Note 14. Deposits and letters of credit

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Demand deposits	622,140	622,140	465,088	465,088
Term deposits				
Short-term (within one year)	613,844	613,844	307,638	307,638
Long-term (over one year)	183,556	183,556	310,121	310,121
	797,400	797,400	617,759	617,759
Total	1,419,540	1,419,540	1,082,847	1,082,847

AB BANKAS SNORAS**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 15. Special and lending funds

The Bank's special and lending funds amounting to LTL 11,689 thousand as of 31 December 2004 (LTL 11,816 thousand as of 31 December 2003), comprising of current accounts of State Social Security Agency.

Note 16. Debts securities issued

Pursuant to the Law on Accommodation and Ordinary Bills of the Republic of Lithuania, after the expiration of the rights of the bill-holders, the Bank transferred its liabilities for the issued and distributed term bills to other liabilities in 2004. As of 31 December 2003, there were term bills with the nominal value of LTL 160 thousand in circulation.

Note 17. Subordinated loans

As of 31 December 2004 and 2003, the Bank had no subordinated loans.

Other liabilities

	Current financial year			Previous financial year		
	Consolidated			Consolidated		
	Bank	Financial group	Entire group	Bank	Financial group	Entire group
Payables to suppliers	887	12,870	13,000	1,108	22,263	22,501
Cash in transit accounts	5,646	5,646	5,646	6,206	6,206	6,206
Collected payments for utility services	5,502	5,010	5,010	6,948	6,558	6,558
Advances received	-	7,847	10,906	-	6,856	9,123
Deferred taxes (Note 30)	4,737	4,737	4,737	5,730	5,730	5,730
Payments for non-banking cards	-	-	-	-	-	-
Other specific provisions (Note 12)	552	552	552	-	-	-
Accrued bonus	230	230	230	-	-	-
Other liabilities	1,439	3,061	3,063	1,431	3,133	3,133
Total other liabilities	18,993	39,953	43,144	21,423	50,746	53,251

Note 18. Profit distribution**Bank**

	Current financial year	Previous financial year
Retained earnings at the beginning of the financial year	230	-
Net profit for the current year	20,545	7,245
Profit for distribution	20,775	7,245
Profit distribution*:		
reserve capital	-	362
other general reserves	-	6,653
dividends	-	-
Retained earnings at the end of the financial year	20,775	230

* Current year profit distribution will be performed by the decision of shareholders.

AB BANKAS SNORAS**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

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Note 19. Other off-balance sheet liabilities of the credit institution

Other off balance liabilities of the Bank include the liabilities arising from the currency exchange spot agreements. As of 31 December 2004 the liabilities according to the currency sale transactions amounted to LTL 21,536 thousand (LTL 184,673 thousand as of 31 December 2003)

Also the liabilities of the Bank due to currency purchase transactions amounted to LTL 21,544 thousand as of 31 December 2004 (LTL 184,657 thousand as of 31 December 2003).

Financial derivatives

	Current financial year			
	Currency agreements	Interest rates	Equity-related	Other
Claims				
Forward agreements	70,342	-	-	-
Swap agreements	86,297	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Futures	-	19,434	-	-
Other claims	-	-	-	-
	<u>156,639</u>	<u>19,434</u>	<u>-</u>	<u>-</u>
Liabilities				
Forward agreements	63,363	-	-	-
Swap agreements	86,296	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Futures	-	19,434	-	-
Other liabilities	-	-	-	-
	<u>149,659</u>	<u>19,434</u>	<u>-</u>	<u>-</u>

Note 20. Other interest income. Other interest expenses

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Other interest income:				
Lease interest income	-	27,472	-	23,690
Other interest expenses:				
Lease expenses	2	-	2	-

In 2004, the Bank incurred interest expenses in the amount of LTL 2 thousand for the leased vehicles (LTL 2 thousand in 2003)

Note 21. Capital adequacy

The capital adequacy ratio is calculated according to the Capital Adequacy Calculation Rules approved on 21 December 2000, by Resolution No. 172 of the Board of the Bank of Lithuania. The established capital adequacy ratio set by the Bank of Lithuania at least 8% of the Bank's eligible capital (10% till 1 December 2004). The actual capital adequacy ratio as reported quarterly during 2004 is presented below:

	31 December 2003	31 March 2004	30 June 2004	30 September 2004	31 December 2004
Bank	18.36%	18.23%	17.88%	18.53%	18.09%
Financial group	18.71%	18.46%	18.38%	19.12%	17.97%

AB BANKAS SNORAS**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

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Note 22. Liquidity

To calculate the liquidity ratio, the assets and liabilities are grouped from the balance sheet date until the expiry of the contract for the remaining period. The Bank seeks to manage the risk by using bank treasury and assets and liabilities management functions. Based on requirements of the Bank of Lithuania this ratio should be higher than 30%.

Starting 1 May 2004, the calculation of the liquidity ratio is based on the requirements of Resolution No. 1 set by the Board of the Bank of Lithuania on 29 January 2004 (before 1 May 2004 it was based on the requirements of Resolution No. 40 set by the Board of the Bank of Lithuania on 8 April 1999).

The fluctuations of the liquid assets and liabilities and liquidity ratio of the Bank during 2004 are as follows:

Reporting dates	Bank			Financial group		
	Liquid assets	Current liabilities	Liquidity ratio (%)	Liquid assets	Current liabilities	Liquidity ratio (%)
31 January 2004 *	489,862	961,819	50.93	489,862	961,819	50.93
29 February 2004 *	465,685	945,507	49.25	465,685	945,507	49.25
31 March 2004	579,150	1,084,527	53.40	595,131	1,088,260	54.69
30 April 2004 *	624,090	1,181,902	52.80	624,090	1,181,902	52.80
31 May 2004 *	504,055	1,202,312	41.92	504,055	1,202,312	41.92
30 June 2004	754,230	1,378,152	54.73	771,742	1,380,157	55.92
31 July 2004 *	1,082,758	1,585,724	68.28	1,082,758	1,585,724	68.28
31 August 2004 *	941,210	1,521,447	61.86	941,210	1,521,447	61.86
30 September 2004	781,553	1,367,404	57.16	799,464	1,377,502	58.04
31 October 2004 *	619,645	1,311,628	47.24	619,645	1,311,628	47.24
30 November 2004 *	762,420	1,329,574	57.34	762,420	1,329,574	57.34
31 December 2004	826,915	1,478,939	55.91	843,788	1,491,647	56.57

* Ratio of the Bank

Note 23. Foreign currency positions

The net value of assets and liabilities of the Bank and the Financial Group in the prevailing currencies, presented as an equivalent amount in Litas, as of 31 December 2004 was:

Bank	LTL and EUR	USD	GBP	LVL	RUB	Other	Total
Exchange rate	1 and 3.4528	2.5345	4.8662	4.9527	0.0911		
Assets	1,295,120	619,290	3,844	188	12,109	3,404	1,933,955
Off balance sheet claims	149,453	48,164	-	-	-	-	197,617
Liabilities and equity	1,364,937	552,842	2,990	26	11,164	1,996	1,933,955
Off balance sheet liabilities	80,028	123,043	487	-	911	116	204,585
Position in % of eligible capital		(3.96)	0.17	0.08	0.02	0.61	
Financial group	LTL and EUR	USD	GBP	LVL	RUB	Other	Total
Exchange rate	1 and 3.4528	2.5345	4.8662	4.9527	0.0911		
Assets	1,361,650	619,202	3,844	188	12,109	3,404	2,000,397
Off balance sheet claims	149,453	48,164	-	-	-	-	197,617
Liabilities and equity	1,432,426	551,795	2,990	26	11,164	1,996	2,000,397
Off balance sheet liabilities	80,028	123,043	487	-	911	116	204,585
Position in % of eligible capital		(3.37)	0.17	0.08	0.02	0.61	

AB BANKAS SNORAS**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 23. Foreign currency positions (cont'd)

The maximum open positions of foreign currency and precious metals of the Bank in 2004 were as follows:

	USD	EUR	LVL	NOK	SEK
31 January 2004	(0.09)	(2.59)	0.14	0.10	0.02
29 February 2004	0.19	0.83	0.14	0.12	0.05
31 March 2004	(0.46)	2.31	0.14	0.11	0.00
30 April 2004	(0.63)	1.95	0.15	0.13	0.00
31 May 2004	(2.49)	4.96	0.14	0.14	0.02
30 June 2004	(2.28)	1.78	0.16	0.19	0.05
31 July 2004	(2.45)	0.10	0.14	0.13	0.14
31 August 2004	(6.24)	0.84	0.19	0.06	0.06
30 September 2004	(3.70)	(4.16)	0.11	0.00	0.12
31 October 2004	(6.52)	4.41	0.14	0.04	0.00
30 November 2004	(5.15)	5.78	0.08	0.03	0.01
31 December 2004	(3.96)	77.71	0.08	0.09	0.12

The maximum open positions of total exchange and precious metals in 2004 were as follows:

	Current financial year	
	Bank	Financial group
31 January 2004 *	2.75	2.75
29 February 2004 *	1.89	1.89
31 March 2004	3.12	8.17
30 April 2004 *	2.84	2.84
31 May 2004 *	5.86	5.86
30 June 2004	2.84	2.24
31 July 2004 *	2.46	2.46
31 August 2004 *	6.38	6.38
30 September 2004	7.89	7.68
31 October 2004 *	6.66	6.66
30 November 2004 *	6.38	6.38
31 December 2004	3.96	3.37

* Ratio of the Bank

Based on requirements of the Bank of Lithuania, the biggest aggregate open currency position should not exceed 25% of the Bank's eligible capital; and the biggest single currency position – 15% of the Bank's eligible capital. Starting from 1 December 2004 Euro is not included in the calculations of the open currency positions.

Note 24. Subsequent events from the end of financial year to the date of approval of financial statements

There were no significant subsequent events after the balance sheet date.

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(ALL AMOUNTS IN LTL THOUSAND UNLESS OTHERWISE STATED)

Note 25. Related party transactions**Entire group**

	<u>Related parties</u>
2004	
Loans, financial lease	950
Average interest rate, %	4.50
Deposits	1,175
Average interest rate, %	1.91
2003	
Loans, financial lease	2,019
Average interest rate, %	6.10
Deposits	3,755
Average interest rate, %	0.57

Note 26. Collateralisation of non-performing loans (falling under risk groups III, IV and V) and watch loans (falling under risk group II) by real estate and other asset (unaudited)

As of 31 December 2004, the total distribution of possible risk and non-performing loans and accumulated interest, considering the collateral, was as follows:

	<u>II loan group</u>	<u>III – V loan group</u>
Secured by real estate	1,797	1,026
Secured by fixed assets and other assets	15,071	-
Secured by combined collateral	92,374	59,309
Secured by deposits, warrants, cash in the accounts	2,515	1,267
Not secured	253,118	1,834
Total loans with potential risk	<u>364,875</u>	<u>63,436</u>

Residential, administrative and manufacturing real estate is pledged for loans.

As of 31 December 2004, the structure of collaterals for non performing loans and loans with potential risk was the following:

	<u>II loan group</u>	<u>III – V loan group</u>
Real estate (residential, administrative and other premises)	142,572	38,793
Fixed assets (equipment, vehicles, other assets) and inventories	119,438	26,515
Other assets (cash, securities, receivables)	45,210	33,749
Total collateral	<u>307,220</u>	<u>99,057</u>

The collateral is evaluated at market price, i.e. the amount of money, for which the asset could be realised within reasonably short time period with the minimum loss for the Bank. In order to reduce risks, liquidation value has been normally used, considering the value of a similar asset, should the asset be urgently realised, and also considering the factors, which may impact the quality of the collaterals. All the collaterals for Bank loans have been evaluated by the Bank or independent property appraisers holding valid appraisers licences. The value of the collaterals is regularly reviewed. Current assets – inventories – are usually pledged at net book value.

The Bank has concluded agreements with independent property appraisers who periodically provide information on tendencies of the real estate market. Since the tendencies remain the same – the prices of real estate keep growing almost in all the regions of Lithuania, and the Bank calculates maximum share of the loan amount per type of assets used as collateral using its own methodology, the credit risk is covered at maximum.

The guarantees of private persons as means of securing the repayment of a loan are applied to the consumer loans. Amount of such is not insignificant and it is additional mean to reduce the risk associated with loan.

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Note 27. Activities of brokerage department

In 2004, the employees of the brokerage department were engaged in the following operations:

- Participation in securities' auctions held by the Government of the Republic of Lithuania;
- Trading in securities on the stock exchange and over the counter;
- Management of securities' portfolios;
- Consulting on investments in securities;
- Management of securities accounting and custodian services;
- Other services related with securities.

In 2004, direct income from operations of the brokerage department amounted to LTL 1,661 thousand, expenses amounted to LTL 141 thousand. The total turnover of the department at Vilnius Stock Exchange was LTL 871,96 million in 2004, which accounted for 12,5 percent of the total turnover of the stock exchange. The turnover of the brokerage department in the securities' auctions held by the Government of the Republic of Lithuania in 2004 was LTL 189 million. As of 31 December 2004, the capitalisation of accounted securities amounted to LTL 583,3 million.

Note 28. Compliance with the regulatory requirements of the Bank of Lithuania

As of 31 December 2004, the Bank was in compliance with the maximum credit exposure to one borrower, and its related parties and on biggest loan, capital adequacy, open foreign currency position and liquidity limits established by the Bank of Lithuania.

Note 29. Income tax

As of 31 December 2004 and 2003, the income tax consisted of the following:

	Current financial year	Previous financial year
Income tax	2,355	1,152
Correction of profit tax of prior periods	653	-
Change in deferred income tax liability (Note 30)	(993)	-
Total income tax expenses	<u>2,015</u>	<u>1,152</u>
	Current financial year	Previous financial year
Profit before tax	22,560	8,397
Income tax before tax at statutory income tax rate	3,384	1,260
Expenses non deductible for tax purposes	335	958
Non-taxable income	(2,917)	(726)
Utilisation of the taxable losses carried forward	-	(340)
Income tax expenses	802	1,152
Adjustment of prior years income tax	653	-
Change in asset allowance after management's evaluation	560	-
Income tax expenses	<u>2,015</u>	<u>1,152</u>
Effective tax rate	<u>8,93%</u>	<u>13,72%</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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Note 30. Deferred income tax

	Current financial year	Previous financial year
Deferred tax liability		
At the beginning of the year	(5,730)	(2,499)
Changes in deferred tax liabilities during the current year, affecting shareholders' equity	546	(3,231)
Changes in deferred tax assets during the current year	(113)	221
Change in valuation allowance	560	(221)
Total liabilities	(4,737)	(5,730)
	Current financial year	Previous financial year
Deferred income tax liabilities		
Revaluation reserve fixed assets	(3,000)	(3,231)
Investment incentive	(2,184)	-
Depreciation differences	-	(2,499)
	(5,184)	(5,730)
Deferred income tax asset		
Loss carried forward	-	-
Vacation and other accruals	137	155
Impairment of assets	-	-
Other	310	405
	447	560
Valuation allowance	-	(560)
Total	(4,737)	(5,730)

Realisation allowance has been formed for the deferred tax asset, as the management believed that current circumstances would not allow realising such asset in the nearest future, therefore, it is not reasonable to account for such asset.

Note 31. Other banking income

	Current financial year			Previous financial year		
	Consolidated			Consolidated		
	Bank	Financial group	Entire group	Bank	Financial group	Entire group
Income from sale of fixed assets	4	4	2,183	25	25	1,699
Other income	355	359	548	375	377	377
Total other income	359	363	2,731	400	402	2,076

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Note 32. Other operating expenses

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Cash collection expenses	1,160	1,160	1,139	1,139
Office equipment expenses	1,929	1,933	1,639	1,643
Stationary expenses	283	307	269	294
Insurance expenses	485	532	1,191	1,468
IT related expenses	1,151	1,170	1,089	1,089
VAT expenses	1,244	1,315	1,682	1,720
Audit expenses	118	154	147	180
Subscription expenses	34	38	41	43
Other operating expenses	608	1,466	550	677
	<u>7,012</u>	<u>8,075</u>	<u>7,747</u>	<u>8,253</u>

Note 33. Other banking expenses

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Taxes	1,195	2,071	1,137	1,264
Deposits' insurance expenses	6,029	6,029	4,089	4,089
Write off of fixed assets	61	61	649	649
Representation expenses	376	385	315	335
Charity and sponsorship expense	88	97	91	93
Other expenses	751	1,100	1,307	1,831
	<u>8,500</u>	<u>9,743</u>	<u>7,588</u>	<u>8,261</u>

Note 34. Cash and cash equivalents

	Current financial year		Previous financial year	
	Bank	Entire group	Bank	Entire group
Cash, precious metals and other valuables	67,814	67,814	71,915	71,915
Funds at correspondent accounts with the Bank of Lithuania	149,201	149,201	53,007	53,007
Funds due from credit and finance institutions	594,073	379,761	389,867	283,812
Specific provisions	(10,052)	(7,437)	(264)	(264)
Total cash and cash equivalents, net of provisions	<u>801,036</u>	<u>589,339</u>	<u>514,525</u>	<u>408,470</u>
Less:				
Loans		(980)		(1,670)
Compulsory reserves		(149,201)		(53,007)
Deposits		(139,809)		(230,666)
Add back:				
Specific provisions		7,437		264
Overnight deposits		3,400		164,624
Demand deposits		42		26
Short term treasury securities		2,107		24,781
Cash and cash equivalents in the cash flow statement		<u>312,335</u>		<u>312,822</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
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Note 35. Changes in shareholders' equity
Bank

	Share capital	Share premium	Reserve capital	Revaluation reserve of fixed assets	Revaluation reserve of financial assets	Retained earnings (deficit) and other reserves	Total
As of 31 December 2002	137,267	305	1,876	-	-	33,212	172,660
Transfer to reserve capital	-	-	552	-	-	(552)	-
Change in revaluation reserve	-	-	-	21,543	-	-	21,543
Deferred tax liability	-	-	-	(3,231)	-	-	(3,231)
Net profit	-	-	-	-	-	7,245	7,245
As of 31 December 2003	137,267	305	2,428	18,312	-	39,905	198,217
Transfer to reserve capital	-	-	362	-	-	(362)	-
Net profit for the year	-	-	-	-	-	20,545	20,545
As of 31 December 2004	137,267	305	2,790	18,312	-	60,088	218,762

Entire group

	Share capital	Share premium	Reserve capital	Revaluation reserve of fixed assets	Revaluation reserve of financial assets	Retained earnings (deficit) and other reserves	Total
As of 31 December 2002	137,267	305	1,876	-	-	30,595	170,043
Transfer to reserve capital	-	-	552	-	-	(552)	-
Change in revaluation reserve	-	-	-	21,543	-	-	21,543
Deferred tax liability	-	-	-	(3,231)	-	-	(3,231)
Net profit	-	-	-	-	-	11,803	11,803
As of 31 December 2003	137,267	305	2,428	18,312	-	41,846	200,158
Transfer to reserve capital	-	-	362	-	-	(362)	-
Intercompany dividends	-	-	-	-	-	(4,657)	(4,657)
Net profit for the year	-	-	-	-	-	24,155	24,155
As of 31 December 2004	137,267	305	2,790	18,312	-	60,982	219,656

Note 36. Investments into securities

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Net cash flow from investments into debt securities	-	-	(410)	(17)
Sale of ADB Snoro Garant	-	-	6,393	-
Sale (acquisition) of debt securities of Zenit Bank	23,483	23,483	(23,479)	(23,479)
Acquisition (establishment) of UAB Verslo vizija	(1,000)	(1,000)	-	-
Acquisition of UAB Interfa	(500)	-	-	-
Acquisition of debt securities of Globex	(1,343)	(1,343)	-	-
	20,640	21,140	(17,496)	(23,496)

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Note 37. Contingencies and commitments

	Current financial year		Previous financial year	
	Bank	Financial group	Bank	Financial group
Credit commitments	193,034	170,211	143,041	128,710
Issued guarantees	19,149	19,149	23,053	20,463

Rent commitments

Group leases office premises for its banking activities. The amount of irrevocable liabilities of the Group related to lease contracts approximates to LTL 2.808 thousand.

As of 31 December 2004, the minimal annual commitments under the lease contract for the future periods were as follows:

For the year ended on 31 December:

	Operating lease
2005	870
2006	673
2007	547
2008	372
2009	346
After 2009	-
Minimal lease payments	<u>2,808</u>

It is planned that under normal course of operations, the expired lease contracts should be renewed or replaced by other fixed asset lease contracts.

Contingencies

UAB Klaipėdos mediena raised a claim against the subsidiary UAB Snoro Lizingas amounting to LTL 1,020 thousand. UAB Klaipėdos mediena seeks to recover interest paid according to lease agreement terminated before the final maturity. The judgement of the court of first instance was not in the favour of UAB Snoro Lizingas and the company has appealed, and in the opinion of the management of the Group, as interest was charged according to valid agreement, the final outcome of the case will be in favour of UAB Snoro Lizingas and therefore, there was no provision recorded in these financial statements.

Note 38. Fair value of financial assets and liabilities

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

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

Amounts Due from and to Credit Institutions. For assets maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of the financial assets and liabilities. For longer-term deposits, the interest rates applicable reflect market rates and, consequently, the fair value of these financial assets and liabilities approximates the carrying amounts.

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

Investments. Investments include securities with interest rates, which reflect market interest rates and, consequently, the fair value approximates the carrying amounts.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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Note 39. 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 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 recurring 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.

Financial assets, bearing credit risk, comprise deposits and funds at banks and other credit and financial institutions, loans to customers, overdraft facilities, bills discounted, factoring, debt securities (except for the issued by the central banks or governments of the A group countries), leased assets, prepayments and income, accrued for these financial assets. Total amount of such assets as of 31 December 2004 of the Bank was LTL 1,246,470 thousand, of the Financial Group LTL 1,315,045 thousand and of the Entire Group – LTL 1,286,281 thousand.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and 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 special 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 40. 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 management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The assets and liabilities of the Bank and Financial Group in foreign currencies denominated in Litas according to the official exchange rate of 31 December 2004 are presented in Note 23.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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Note 41. Interest rate risk

The Bank and the Financial 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 tables below summarize the Bank's and the Financial Group's exposure to the interest rate risk. Assets and liabilities of the Bank and Financial Group are presented at carrying amounts and categorized by the contractual reprising or maturity dates as of 31 December 2004.

Bank

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non- interest earning	Total
Assets								
Cash	-	-	-	-	-	-	67,814	67,814
Due from Bank of Lithuania	-	-	-	-	-	-	149,201	149,201
Due from banks and other credit and finance institutions	46,990	12,673	81,795	2,898	142,462	64,952	232,251	584,021
Loans and advances to customers	32,739	45,489	165,029	63,638	30,390	97,828	3,382	438,495
Financial lease Debt securities	4,984	30,100	8,431	126,470	296,937	116,459	-	583,381
Equity securities	-	-	-	-	-	-	14,913	14,913
Fixed assets	-	-	-	-	-	-	71,409	71,409
Other assets	-	-	-	-	-	-	24,721	24,721
	84,713	88,262	255,255	193,006	469,789	279,239	563,691	1,933,955
Liabilities								
Due to banks and other credit and finance institutions	241,453	61	200	1,606	80	-	6,632	250,032
Current and term deposit accounts	180,442	143,511	173,513	233,147	56,748	5,493	638,375	1,431,229
Other liabilities	-	-	-	-	-	-	252,694	252,694
	421,895	143,572	173,713	234,753	56,828	5,493	897,701	1,933,955
Interest rate risk	(337,182)	(55,310)	81,542	(41,747)	412,961	273,746		