Akcinė bendrovė bankas SNORAS

Konsoliduotas metinis pranešimas
2008 m.

SNORAS
mano artimas bankas

SNORAS

Akcinė bendrovė bankas SNORAS

ATSAKINGŲ AKCINĖS BENDROVĖS BANKO SNORAS ASMENŲ

PATVIRTINIMAS

Vykdydami LR vertybinių popierių įstatymo 21 str. 1 d. nuostatas patvirtiname, kad AB banko SNORAS finansinė atskaitomybė, sudaryta pagal taikomus buhalterinės apskaitos standartus, atitinka tikrovę ir teisingai parodo AB banko SNORAS turtą, įsipareigojimus, finansinę būklę, pelną, kad metiniame pranešime yra teisingai nurodyta verslo plėtros ir veiklos apžvalga, AB banko SNORAS būklė kartu su pagrindinių rizikų ir neapibrėžtumų, su kuriais susiduriama, aprašymu.

Valdybos pirmininkas
Banko Prezidentas — Raimondas Baranauskas

Pirmasis viceprezidentas
Investicinio verslo tarnybos direktorius — Naglis Stancikas

Vyriausioji buhalterė
Finansų tarnybos direktorė — Jurgita Bliumin

CONTENTS

1. THE PERIOD REVIEWED IN THE ANNUAL REPORT

The report covers the year 2008, all the figures are provided as of December 31, 2008 unless otherwise is stated. Public limited liability company Bank SNORAS can be referred to as the Bank or the Issuer herein as well.

2. THE ISSUER AND ITS CONTACT INFORMATION

Name of the Issuer:	Public limited liability company Bank SNORAS
Legal organisational form:	Public limited liability company
Registration date and place:	17 March 1992, the Bank of Lithuania
Company (register) code:	112025973
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Authorized capital:	411 922 567 Litas
Phone numbers:	(8 5) 239 22 39
Fax numbers:	(8 5) 232 73 00
E-mail address:	info@snoras.com
Website:	www.snoras.com

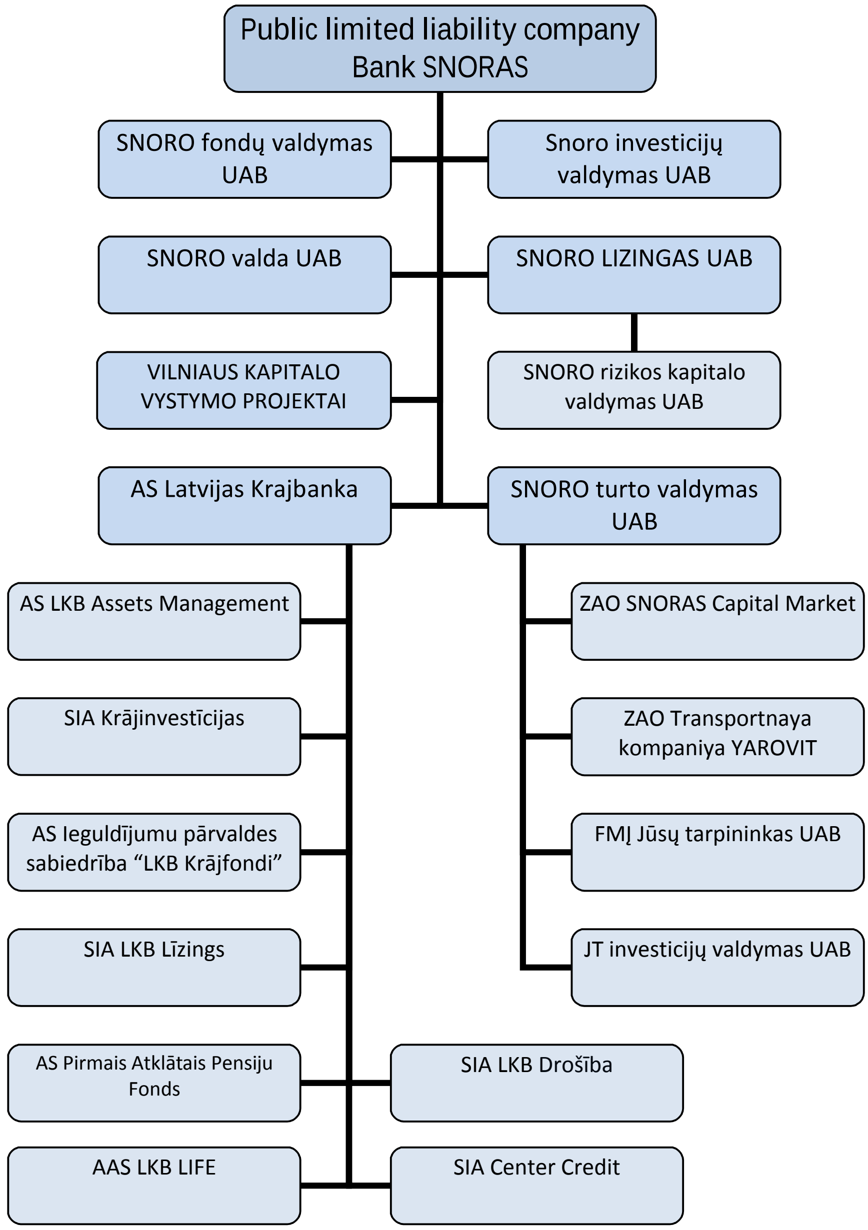
3. THE COMPOSITION OF THE GROUP

Name:	SNORO LIZINGAS UAB
Legal organisational form:	Private limited liability company
Registration date and place:	30 April 1999, Register of Legal Persons, Lithuania
Company (register) code:	124926897
Legal address:	A. Goštauto str. 40A, LT-01112 Vilnius
Phone numbers:	(8 5) 219 74 00
Fax numbers:	(8 5) 249 76 76
E-mail address:	info@sl.lt
Website:	www.sl.lt
Main activity:	Financial leasing
Name:	SNORO turto valdymas UAB
Legal organisational form:	Private limited liability company
Registration date and place:	18 December 2003, Register of Legal Persons, Lithuania
Company (register) code:	126403753
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Phone numbers:	(8 5) 232 70 73
Main activity:	Financial intermediary work
Name:	SNORO fondų valdymas UAB
Legal organisational form:	Private limited liability company
Registration date and place:	4 March 1992, Register of Legal Persons, Lithuania
Company (register) code:	121262918
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Korespondencijos adresas:	Gedimino pr. 26, LT-01104 Vilnius
Phone numbers:	(8 5) 232 72 37
Fax numbers:	(8 5) 232 73 29
E-mail address:	invest@snoras.com
Website:	www.sfv.lt
Main activity:	Funds management
Name:	Snoro investicijų valdymas UAB
Legal organisational form:	Private limited liability company
Registration date and place:	14 February 2005, Register of Legal Persons, Lithuania
Company (register) code:	300088576
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Phone numbers:	(8 5) 275 27 56
Main activity:	Real estate operations

Name:	VILNIAUS KAPITALO VYSTYMO PROJEKTAI UAB
Legal organisational form:	Private limited liability company
Registration date and place:	17 November 2000, Register of Legal Persons, Lithuania
Company (register) code:	125427865
Legal address:	Švitrigailos str. 11A, LT-03228 Vilnius
Phone numbers:	(8 5) 262 22 26
Fax numbers:	(8 5) 262 22 26
E-mail address:	info@vkvp.lt
Website:	www.vkvp.lt
Main activity:	Purchase and sale of real estate
Name:	SNORO valda UAB
Legal organisational form:	Private limited liability company
Registration date and place:	25 November 2008, Register of Legal Persons, Lithuania
Company (register) code:	302250518
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Phone numbers:	(8 5) 275 27 56
Main activity:	Operational supervision and administration of real estate
Name:	AS Latvijas Krajbanka
Legal organisational form:	Public limited liability company
Registration date and place:	2 January 1924, Register of Latvian companies
Company (register) code:	40003098527
Legal address:	Jana Dalina str. 15, LV-1013 Riga, Latvia
Phone numbers:	+371 670 92020
Fax numbers:	+371 670 92070
E-mail address:	info@lkb.lv
Website:	www.lkb.lv
Main activity:	Banking activity
Name:	Pirmais Atklātais Pensiju Fonds AS
Legal organisational form:	Public limited liability company
Registration date and place:	4 February 1998, Register of Latvian companies
Company (register) code:	40003377918
Legal address:	J.Alunāna 2, LV-1010 Riga, Latvia
Phone numbers:	+371 673 59198
Main activity:	Funds management
Name:	SIA LKB Līzings
Legal organisational form:	Private limited liability company
Registration date and place:	9 January 2007, Register of Latvian companies
Company (register) code:	40003887450
Legal address:	Jēkaba str.2, LV-1050 Riga, Latvia
Phone numbers:	+371 670 68092
E-mail address:	lizings@lkb.lv
Website:	www.lkblizings.lv
Main activity:	Consumer financing
Name:	Ieguldījumu pārvaldes sabiedrība “LKB Krājfondi” AS
Legal organisational form:	Public limited liability company
Registration date and place:	2 October 2006, Register of Latvian companies
Company (register) code:	40003605043
Legal address:	Jāņa Daliņa str. 15, LV-1013 Riga, Latvia
Main activity:	Funds management
Name:	SIA Krājinvestīcijas
Legal organisational form:	Private limited liability company

Registration date and place:	30 June 2004, Register of Latvian companies
Company (register) code:	40003687374
Legal address:	Jēkaba str. 15, LV-1050 Riga, Latvia
Main activity:	Real estate
Name:	AS LKB Assets Management
Legal organisational form:	Public limited liability company
Registration date and place:	11 April 2006, Register of Latvian companies
Company (register) code:	40003818124
Legal address:	Jāņa Daliņa str. 15, LV-1013 Riga, Latvia
Main activity:	Funds management
Name:	AAS LKB LIFE
Legal organisational form:	Public limited liability company
Registration date and place:	10 February1992, Register of Latvian companies
Company (register) code:	40003053851
Legal address:	Jāņa Daliņa str. 15, LV-1013 Riga, Latvia
Main activity:	Insurance company
Name:	SIA LKB Drošība
Legal organisational form:	Private limited liability company
Registration date and place:	7 July 2008, Register of Latvian companies
Company (register) code:	40103179152
Legal address:	Ekaba 2, Riga, Latvia
Main activity:	Collection services
Name:	SIA Center Credit
Legal organisational form:	Private limited liability company
Registration date and place:	11 August 2008, Register of Latvian companies
Company (register) code:	40103185252
Legal address:	Jāņa Daliņa str. 15, LV-1013 Riga, Latvia
Main activity:	Crediting services
Name:	SNORO rizikos kapitalo valdymas UAB
Legal organisational form:	Private limited liability company
Registration date and place:	16 November 2007, Register of Legal Persons, Lithuania
Company (register) code:	301270560
Legal address:	A. Goštauto str. 40A, LT-01112 Vilnius
Main activity:	Debt administration
Name:	FMĮ Jūsų tarpininkas UAB
Legal organisational form:	Private limited liability company Financial brokerage company
Registration date and place:	13 August 1993, Register of Legal Persons, Lithuania
Company (register) code:	133765090
Legal address:	Zanavykų str. 25H, LT-44140 Kaunas
Phone numbers:	(8 37) 322 995
Fax numbers:	(8 37) 322 373
E-mail address:	webmaster@jt.lt
Website:	www.jt.lt
Main activity:	Financial intermediary work
Name:	JT investicijų valdymas UAB
Legal organisational form:	Private limited liability company
Registration date and place:	7 November 2001, Register of Legal Persons, Lithuania
Company (register) code:	125766011
Legal address:	Konstitucijos pr. 23, LT-08105 Vilnius
Phone numbers:	(8 5) 210 11 55

Fax numbers:	(8 5) 272 52 54
E-mail address:	info@jtiv.lt
Website:	www.jtiv.lt
Main activity:	Funds management
Name:	ZAO Transportnaya kompaniya YAROVIT
Legal organisational form:	Private limited liability company
Registration date:	21 January 2004
Company (register) code:	1047796029060
Legal address:	Bagrationovskiy pr.5, build. 45, Moscow, Russian Federation
Main activity:	Real estate operations
Name:	ZAO SNORAS Capital Market
Legal organisational form:	Private limited liability company
Registration date:	9 August 2001
Company (register) code:	1027739034542
Legal address:	Bolshoy Kislovsky lane 9, Moscow, Russian Federation
Main activity:	Financial activity



4. THE NATURE OF THE ISSUER'S MAIN ACTIVITY

Bank and its subsidiaries offer customers (both legal and natural persons) licensed and unlicensed financial services: accept deposits and other returnable funds from non-professional market participants (accumulative deposits in litas and foreign currencies, time deposits or deposits with blank date in litas and foreign currencies), perform wire-transfers (open customers bank accounts in litas and foreign currencies to accept and deposit funds, execute customer money orders for local and international settlements or withdrawals, perform other transactions on customer accounts), offer customers mortgages, favorable mortgages, consumer loans, grant companies loans for business projects or working capital, provide suretyships and guarantees, issue and maintain international payment cards Visa, Visa Electron, Eurocard/MasterCard, Maestro, deliver money market instruments (checks, bills of exchange etc.) issue and support services, trade currency, offer currency (cash) exchange, cash transactions, safe custody services (rental of safes), securities accounting and financial brokerage, leasing products, factoring, investment, assets management and other services.

Retail banking is a strong side of Public limited liability company Bank SNORAS. AB Bank SNORAS has the most extensive and advanced customer service network in Lithuania consisting of 252 outlets. The network includes 11 regional branches, operating in each county of Lithuania and Estonia, 11 branch outlets and 230 mini-banks. The Bank runs 336 ATMs.

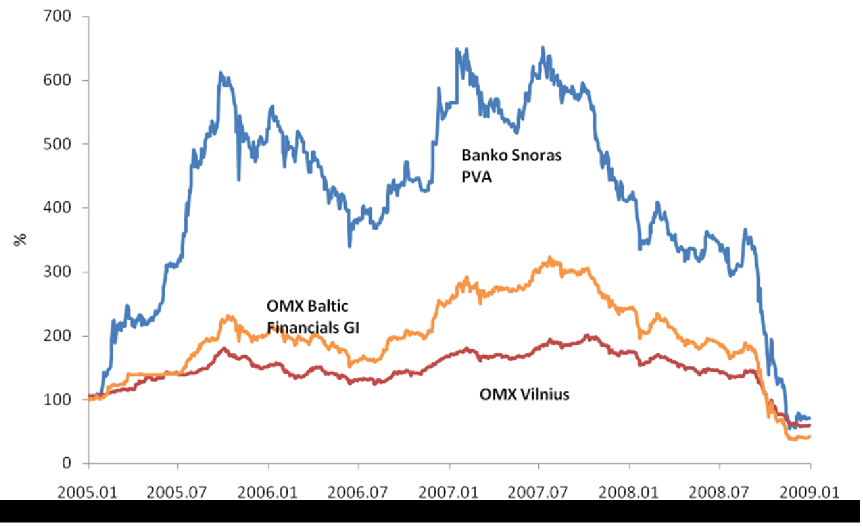
5. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

The Bank has not entered any agreements with intermediaries of public trading in securities.
Operations Department of Public limited liability company Bank SNORAS performs the Bank's securities accounting in the Money Markets and Securities Accounting Unit .

6. DATA CONCERNING THE TRADING IN ISSUER'S SECURITIES AT THE REGULATED MARKETS

Ordinary and preferred registered shares as well as bonds of the Public limited liability company Bank SNORAS are traded on NASDAQ OMX Vilnius Stock Exchange. Bonds are traded on London Stock Exchange.
391 922 567 ordinary registered shares (each of LTL 1.00 nominal value) of the Bank were listed in the additional trading list, as well as 2 000 000 preferred registered shares (each of LTL 10 nominal value) of the Bank; total nominal value of all the ordinary registered shares on the additional trading list was LTL 411 922 567.
The Bank bonds were listed in on the main official non-equity list of the London Stock Exchange, total nominal value of all the bonds listed in the Stock Exchange List was EUR 155 628 000.
Ordinary and preferred registered shares of the „Latvijas Krajbanka" are traded on NASDAQ OMX Riga Stock Exchange. 12 146 412 ordinary registered shares (each of LVL 1.00 nominal value) of the „Latvijas Krajbanka" were listed in the additional trading list, as well as 2 834 preferred registered shares (each of LVL 1.00 nominal value) of the „Latvijas Krajbanka", and the total nominal value of all the shares listed in the additional trading list is LVL 12 149 246.

Four-year comparison of the price change* of the Public limited liability company bank SNORAS registered ordinary shares with OMX Baltic Financials GI and changes of OMX Vilnius indexes



* The price of Bank SNORAS shares was corrected considering the capital increases from the company's funds.

7. THE NUMBER AND NOMINAL PRICE OF THE SHARES BELONGING TO THE BANK AND ITS SUBSIDIARIES

7.1. The type and class of the shares belonging to the Public limited liability company Bank SNORAS, the number and nominal value of the shares, the percentage of the votes of these companies at the general shareholders' meetings:

Name of the securities:	SNORO LIZINGAS UAB ordinary share
Number of shares, (items):	100
Nominal value of one share, (LTL):	50 000
Number of votes at meeting, (%):	100,00
Name of the securities:	VILNIAUS KAPITALO VYSTYMO PROJEKTAI UAB ordinary share
Number of shares, (items):	42 833
Nominal value of one share, (LTL):	100
Number of votes at meeting, (%):	60,00
Name of the securities:	SNORO fondų valdymas UAB ordinary share
Number of shares, (items):	1 600
Nominal value of one share, (LTL):	1 000
Number of votes at meeting, (%):	100,00
Name of the securities:	SNORO turto valdymas UAB ordinary share
Number of shares, (items):	10 000
Nominal value of one share, (LTL):	100
Number of votes at meeting, (%):	100,00
Name of the securities:	Snoro investicijų valdymas UAB ordinary share
Number of shares, (items):	60 000
Nominal value of one share, (LTL):	10
Number of votes at meeting, (%):	100,00
Name of the securities:	SNORO valda UAB ordinary share
Number of shares, (items):	100
Nominal value of one share, (LTL):	100
Number of votes at meeting, (%):	100,00
Name of the securities:	AS Latvijas Krajbanka ordinary bearer share
Number of shares, (items):	9 273 984
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	76,35

7.2. The type and class of the shares belonging to AS Latvijas Krajbanka, the number and nominal value of the shares, the percentage of the votes of these companies at the general shareholders' meetings:

Name of the securities:	AS Pirmais Atklātais Pensiju Fonds ordinary share
Number of shares, (items):	82 000
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	100,00
Name of the securities:	SIA LKB Līzings ordinary share
Number of shares, (items):	1 200
Nominal value of one share, (LVL):	100
Number of votes at meeting, (%):	100,00
Name of the securities:	AS Ieguldījumu pārvaldes sabiedrība „LKB Krājfondi" ordinary share
Number of shares, (items):	240 000
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	100,00

Name of the securities:	AS LKB Assets Management ordinary share
Number of shares, (items):	120 000
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	100,00
Name of the securities:	SIA Krājinvestīcijas ordinary share
Number of shares, (items):	50
Nominal value of one share, (LVL):	100
Number of votes at meeting, (%):	100,00
Name of the securities:	AAS LKB LIFE ordinary share
Number of shares, (items):	2 511 895
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	99,79
Name of the securities:	SIA LKB Drošība ordinary share
Number of shares, (items):	100
Nominal value of one share, (LVL):	100
Number of votes at meeting, (%):	100,00
Name of the securities:	SIA "Center credit" ordinary share
Number of shares, (items):	561 076
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	51,00

7.3. The type and class of the shares belonging to Snoro lizingas UAB, the number and nominal value of the shares, the percentage of the votes of these companies at the general shareholders' meetings:

Name of the securities:	SNORO rizikos kapitalo valdymas UAB ordinary shares
Number of shares, (items):	12 000
Nominal value of one share, (LTL):	1 000
Number of votes at meeting, (%):	100,00

7.4. The type and class of the shares belonging to Snoro turto valdymas UAB, the number and nominal value of the shares, the percentage of the votes of these companies at the general shareholders' meetings:

Name of the securities:	FMĮ Jūsų tarpininkas UAB ordinary shares
Number of shares, (items):	52 800
Nominal value of one share, (LTL):	6,00
Number of votes at meeting, (%):	66,00
Name of the securities:	JT investicijų valdymas UAB ordinary shares
Number of shares, (items):	156 000
Nominal value of one share, (LTL):	10,00
Number of votes at meeting, (%):	66,67
Name of the securities:	ZAO Transportnaya kompaniya ,,YAROVIT" ordinary shares
Number of shares, (items):	1 000
Nominal value of one share, (RUB):	60 000
Number of votes at meeting, (%):	100,00
Name of the securities:	ZAO SNORAS Capital Market ordinary shares
Number of shares, (items):	9 998
Nominal value of one share, (LTL):	1 000
Number of votes at meeting, (%):	99,98

8. OBJECTIVE REVIEW OF THE BANK'S STATUS, PERFORMANCE AND DEVELOPMENT, DESCRIPTION OF MAIN RISK TYPES

Public limited liability company Bank SNORAS, established as Šiauliai regional bank in 1992, was renamed as Bankas SNORAS AB in 1993. After sixteen years of activity SNORAS became one of the largest Lithuanian banks. Having the widest and the most modern territorial customer service network in the country – ten regional branches of the bank, eleven branch outlets, more than 230 territorial units and over 336 ATM machines, Public limited liability company Bank SNORAS successfully consolidates its positions in the Lithuanian retail banking market and it implements an active expansion strategy in the member states of the European Union.

The trends of the main strategic activity of Public limited liability company Bank SNORAS:

- Retail and corporate banking;
- Expansion of services in the companies of the bank's group;
- Investment banking and corporate finances.

Public limited liability company Bank SNORAS has branch in Estonia and representative offices in the Kingdom of Belgium, Czech Republic, Latvia, Ukraine and Belarus. Bank SNORAS owns the controlling block of shares of Latvijas Krajbanka – the oldest Latvian bank with the largest network.

Public limited liability company Bank SNORAS manages six subsidiary companies in the country: SNORO LIZINGAS UAB, SNORO turto valdymas UAB, SNORO investicijų valdymas UAB, SNORO fondų valdymas UAB , VILNIAUS KAPITALO VYSTYMO PROJEKTAI UAB, and SNORO valda UAB which provide Lithuanian and Baltic market participants with real estate management, constructions and renovation, money, leasing and securities funds management services as well as real estate operational supervision and administration.

Public limited liability company Bank SNORAS is the third bank in Lithuania according to customer's deposits and sixth bank according to total assets. More than 1 038 thousand clients use the bank's services. The slogan "My closest bank" reflects Bank SNORAS endeavour to become close to every customer.

In 2008 Bank SNORAS was successfully entrenching in its leading position on the retail banking market in Lithuania and kept steadily expanding towards EU countries.

ROE of the Bank reached 4.39% (17.81% in 2007), ROE of the Group shareholders was 4.00% (15.66 in 2007); ROA of the Bank reached 0.38% (1.44% in 2007), ROA of the Group was 0.27% (0.94% in 2007).

In 2008 the Bank complied with all prudential requirements which on 31-12-2008 stood at:

- ➔ The adequacy ratio of the Bank's capital was 10.03 per cent.
- ➔ The liquidity ratio of the Bank was 36.35 per cent.
- ➔ Maximum open position in foreign currencies of the Bank was 3.11 per cent.
- ➔ The Bank is executing Maximum Lending to One Borrower standard.
- ➔ The Bank is executing Significant Loan standard.

Risk management constitutes the grounds of the Bank's activities and the integral part of the Group's operation. The following exposures are the most important to the Group: credit, market, liquidity and interest rate as well as operation exposure.

Credit risk

The Group is exposed to the credit risk of the counterparty being not able to repay the whole amount on time. The Group exposes itself to the credit risk by providing loans to the customers as well as one on the interbank market.

The Group does not use any derivative credit instruments. The Group minimizes its credit exposure by requiring collaterals and guarantees.

The Group distributes credit exposure between structural levels by setting maximum lending to one borrower, group of borrowers, geographical or industrial area limits. This risk is managed by means of monthly reviews, reporting and preventive control of regulatory compliance.

Market risk

The Group is exposed to the market risk, which is the risk that the bank will suffer losses due to the fluctuation of market variables. The main market exposures are interest rate, exchange rate and share price risks.

The Group distributes market exposure between structural levels by imposing risk limits for the position, maximum loss, portfolio diversification and by taking risk buffering measures.

This risk is managed by means of daily assessment of positions by market value, control of compliance and regular reporting.

(VaR) risk value methodology is used.

Debt securities portfolio (the Bank possesses the most significant part of it) delivers the Group the main exposure to the market risk. The Bank imposes interest rate and share futures in interest rate risk management.

In 2008 the scope of market risk was considerably reduced. Currency position was not significant. Currency position risk is managed by limits imposed to the open position in foreign currencies.

Operational risk

Operational risk is defined as the risk of direct and indirect loss due to the improper internal processes, actions of employees, bank's systems and external events.

The Bank manages the operational risk using complex operational risk management system.

The main component of this system is a register of operational risk events. There are persons responsible for the operational risks appointed in every division of the Bank and subsidiary. These employees complete the register of operational risk events specifying operational risk events in every division. All the entries are centrally systemised and analysed later on.

The Bank as well uses questionnaire based self-assessment in operational risk management. The analysis of the questionnaires allows identifying of the most exposed sites of the Bank's processes and structure as well as imposing preventive measures.

The most important operational risk management preventive measure is insurance. Insurance helps to minimize losses due to the loss of material assets.

The Bank constantly improves operation risk management in order to secure the Bank's processes and systems. In 2008 Operational and IT Risk Department was established in the Bank.

Liquidity risk

The Bank pays a lot of attention to the liquidity risk management. The Bank complied with liquidity standard set by the Bank of Lithuania in 2008 (the ratio of the liquid assets of a bank to its liabilities must be at least 30 per cent) – the liquidity ratio of the Bank was usually over the standard in 2008.

In addition to the compliance with the standards set by the Bank of Lithuania, the Bank uses its internal liquidity management measures. The Bank imposes preventive internal liquidity ratios system, constantly analyses money flows.

The liquidity gap and premature deposits termination ratios as well as deposit fluctuation tendencies are constantly monitored by the Bank.

Gross interest rate risk

The Bank was constantly monitoring and analysing gross interest rate and Bank's interest margin figures in 2008.

The main interest rate risk management measure is interest rate gap report. The Bank was mostly issuing loans with variable interest rate in 2008.

9. ANALYSIS OF FINANCIAL AND NON-FINANCIAL RESULTS OF THE ACTIVITY

In 2008 the Bank continued successful implementation of its strategy acting on the market of Lithuanian banks as a universal bank with orientation towards retail banking, developing the performance of subsidiary Latvijas Krajbanka in the Republic of Latvia as well as expanding other spheres of the activity through its subsidiary companies - SNORO LIZINGAS UAB, SNORO Turto Valdymas UAB, SNORO Fondų Valdymas UAB, SNORO Investicijų Valdymas UAB, SNORO valda UAB, and VILNIAUS KAPITALO VYSTYMO PROJEKTAI UAB.

Financial results of 2008 demonstrate effective performance of the Bank and the Group.

According to the audited data, within 2008 the interest profit of the Bank increased by 45.57% up to LTL 340.6 million, the interest profit of the Group increased by 34.3 % up to LTL 571.5 million. The residential deposits grew by more than 18 per cent and exceeded LTL 2.8 billion. The authorized capital of the Bank and the Group increased by 62.6 per cent and amounted to LTL 411.9 million.

The main audited articles of the Statements of Profit (Loss) of the Group and the Bank are provided in the tables.

Balance sheets of the Group and the Bank (LTL thousand)

	Group		Bank	
31 December	2007	2008	2007	2008
Assets	8 996 984	8 451 716	5 753 774	5 694 651
Liabilities	8 401 489	7 868 941	5 249 290	5 199 531
Equity attributable to shareholders of the Group	541 734	528 742	504 484	495 120
Minority interest	53 761	54 033	-	-
Total equity	595 495	582 775	504 484	495 120
Total equity and liabilities	8 996 984	8 451 716	5 753 774	5 694 651

Profit (loss) statements of the Group and the Bank (LTL thousand)

	Group		Bank	
31 December	2007	2008	2007	2008
Interest income	425 620	571 545	233 951	340 565
Interest expense	(229 218)	(351 196)	(146 003)	(240 903)
Net interest income	196 402	220 349	87 948	99 662
(Impairment) of interest earning assets	(1 271)	(68 046)	11 476	(38 338)
Net interest income after impairment of interest earning assets	195 131	152 303	99 424	61 324
Fee and commission income	103 151	117 983	72 168	81 815
Fee and commission expenses	(24 129)	(26 071)	(8 910)	(10 803)
Net fee and commission income	79 022	91 912	63 258	71 012
Other income	32 863	72 606	30 321	38 818
Operating expenses	(215 104)	(284 968)	(107 649)	(143 810)
Pre-tax profit	91 912	31 853	85 354	27 344
Income tax expense	(18 995)	(8 511)	(13 631)	(5 388)
Profit	72 917	23 342	71 723	21 956
Attributable to:				
Minority interest	5 545	56	-	-
Profit attributable to the shareholders of the Bank	67 372	23 286	71 723	21 956

Profitability and share price indexes of the Bank and the Group for the last three years

	Group/ Bank		
Profitability indexes	2006	2007	2008
ROE	21,85 / 19,12	15,66 / 17,81	4,00 / 4,39
ROA	1,12 / 1,38	0,94 / 1,44	0,27 / 0,38
Price and profit ratio (P/E)	11,51 / 13,77	13,10 / 12,28	7,00 / 7,46
Price and bookvalue ratio (P/BV)	2,30 / 2,44	1,64 / 1,77	0,29 / 0,31
Main profit for ordinary share *	0,43 / 0,36	0,28 / 0,30	0,05 / 0,05

*2006 value corrected, because of nominal value of a registered ordinary share reduction from LTL 10 to LTL 1 in 2007.

10. REFERENCES AND ADDITIONAL EXPLANATIONS OF THE DATA PROVIDED IN THE ANNUAL FINANCIAL ACCOUNTS

All financial data provided in this annual statement are accounted according to the International Financial Reporting Standards (IFRS) and audited if not stated otherwise.

11. INFORMATION ABOUT ONE'S OBTAINED AND TRANSFERRED SHARES

Within the accounting period the Bank has not obtained own shares.

12. INFORMATION ABOUT THE BANK'S BRANCHES AND REPRESENTATIVE OFFICES

Branches of the Bank:

Alytus branch Pulko str. 14/1, LT-62133 Alytus (8 315) 52 832, (8 315) 52 829 sekret.aly@snoras.com	Kaunas branch K.Donelaičio str. 76, LT-44248 Kaunas (8 37) 490 832, (8 37) 490 833 sekret.kau@snoras.com
Klaipėda branch Liepų str. 50, LT-92106 Klaipėda (8 46) 311 940, (8 46) 311 943 sekret.kla@snoras.com	Marijampolė branch J.Basanavičiaus a. 15, LT-68307 Marijampolė (8 343) 52 385, (8 343) 50 577 sekret.mar@snoras.com
Mažeikiai branch Laisvės str. 13, LT-89222 Mažeikiai (8 443) 27 325, (8 443) 26 381 sekret.maz@snoras.com	Panevėžys branch Smėlynės str. 2c, LT-35143 Panevėžys (8 45) 463 479, (8 45) 581 511 sekret.pan@snoras.com
Šiauliai branch Tilžės str. 170, LT-76296 Šiauliai (8 41) 523 199, (8 41) 523 195 sekret.sia@snoras.com	Tauragė branch Vytauto str. 60, LT-72248 Tauragė (8 446) 72 336, (8 446) 72 335 sekret.tau@snoras.com
Utena branch Maironio str. 12, LT-28143 Utena (8 389) 62 292, (8 389) 62 281 sekret.ute@snoras.com	Vilnius branch A.Vivulskio str. 7, LT-03221 Vilnius (8 5) 232 7242 sekret.vil@snoras.com
Estonian branch Roosikrantsi g. 17, Tallinn, Estonia Tel. +372 6 272970, +372 6 272973	

Representative offices of the Bank:

Representative office in the Kingdom of Belgium Bastion tower level 20, Du Champ de Mars square 5 Brussels, Belgium Tel. +32 255 03541	Representative office in Czech Republic Školska str. 32, Prague, Czech Republic Tel. +42 022 1419773, +42 022 1419712
Representative office in Ukraine Artema str. 49-507, Kiev, Ukraine Tel. +380 444 823756, +380 682 018775	Representative office in Belarus K.Marx str. 15, Minsk, Belarus Tel. +375 17 2261359
Representative office in Latvia Jura Alunana str. 2, Riga, Latvia Tel. +371 7 216309, +371 7 216308	

13. SIGNIFICANT EVENTS THAT HAVE TAKEN PLACE SINCE THE END OF THE LAST FINANCIAL YEAR

On 28 November 2008, the authorized capital of Public limited liability company Bank SNORAS was increased from the company's funds up to LTL 411.9 million.

14. INFORMATION ABOUT COMPANY PLANS, DEVELOPMENT AND FORECASTS

The end of 2008 and the beginning of 2009 was highlighted by rapid changes in the local and external financial markets. Presently these factors condition a more conservative activity of the Bank in the future.
In 2009, Bank SNORAS will carry out its activity both in Lithuania and abroad endeavouring to hold the present market shares and, having an opportunity, to enlarge them. The Bank will seek to earn profit.

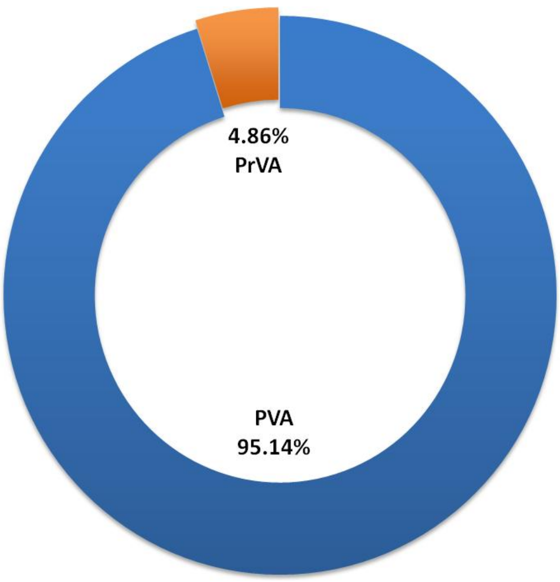
The Bank will take an active position in developing and expanding the segments of small and medium business clients and retail banking.
In the local market, the Bank will be maintaining and improving the present customer service network. The number of the network subdivisions will basically remain the same. During the upcoming three years, it is anticipated to perform a mimimum expansion of branch outlets, by establishing 1-2 branch outlets every year. The mini-bank expansion will also be minimum; the main focus will be on improving the arrangement of the mini-bank network.
These actions will improve the customer service quality and will create conditions for increasing the sales of the Bank's products and services.
Bank SNORAS will also be expanding its activity through the subsidiary companies of the bank. AS Latvijas Krājbanka operating in the Republic of Latvia will be carrying on its business seeking to hold the current market shares and, having an opportunity, to enlarge them. AS Latvijas Krājbanka will endeavour to earn profit. Other subsidiaries of the bank will be expanding their activity seeking to gain profit.
The Bank will continue the actions necessary for implementing the adopted decisions concerning the Bank's territorial expansion abroad.
The growth of the Bank's property is mostly associated with attracting financial resources in the internal market and with appropriate capital injections necessary for ensuring the development. If there is a favourable situation in the market, it is possible to use the opportunity to attract financing through emissions of debt instruments.
Taking into consideration the financial situation presently dominating in the country and on external markets, in 2009 the Bank hopes to maintain the main indexes on the current level. Hopefully, the net interest margin will be decreasing as the price of the attracted funds will be rising faster than their employment price.
In 2009 Bank SNORAS will continue implementation of the united banking platform Oracle FLEXCUBE that was started in 2008. The system will operate in banks of SNORAS group, it will allow to increase the scope economy, to accelerate the supply of new products to the market as well as to increase the activity efficiency.

15. THE STRUCTURE OF THE AUTHORIZED CAPITAL

The number of the issued shares and their share in the authorized capital as of 31 December 2008.

	Nominal value	Number of shares	Percentage in capital
Registered ordinary shares	1 Litas	391 922 567	95,14 per cent
Registered preference shares	10 Litas	2 000 000	4,86 per cent

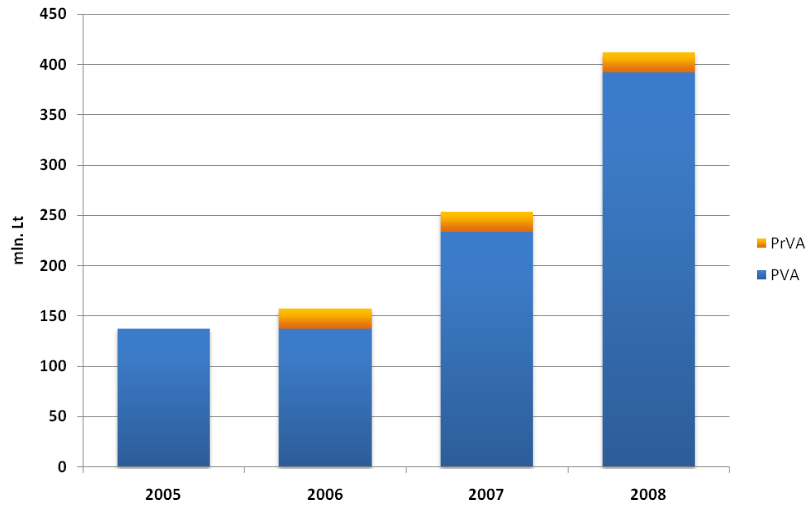
Composition of the authorized capital



Dynamics of the authorized capital:

31 December 2005	137 267 200,00 Lt
31 December 2006	157 267 200,00 Lt
31 December 2007	253 354 240,00 Lt
31 December 2008	411 922 567,00 Lt

Dynamics of the authorized capital of Public limited liability company Bank SNORAS



16. THE RIGHTS AND THE RIGHTS OF PRE-EMPTION GRANTED BY EACH CLASS OF THE AVAILABLE SHARES AS WELL AS THE LIMITS SET FOR THEM

The shares issued by the Bank grant property and non-property rights to the shareholders.

Shareholders that are holders of the preference shares have the following property rights:

- ➔ to get the invariable non-cumulative dividend worth 10 (ten) % of the nominal value of the share;
- ➔ to receive a part of assets of the Bank in liquidation;
- ➔ to acquire bonus shares when the authorised capital is increased by the share premium account;
- ➔ by right of pre-emption to acquire shares or convertible debentures issued by the Bank except the case when the general meeting of the shareholders in accordance with the procedures established by the Law on Companies of the Republic of Lithuania takes a decision to abolish the right of pre-emption of all shareholders;
- ➔ by means established by law to lend money to the Bank, however, the Bank, while incurring debt, has no right to pledge its assets to the shareholders. If the Bank incurs debt from the shareholder, interest shall not exceed the average interest rate of the commercial banks situated in the living or business place of the lender that was valid at the time of making a loan contract. In this case the Bank and the shareholders are banned from negotiating extent of higher interest.
- ➔ other property rights established by laws.

Shareholders that are holders of the ordinary shares have the following property rights:

- ➔ to acquire part of the Bank's profit (dividend) if the respective property right of the holders of the preference shares is realized;
- ➔ to receive a part of assets of the Bank in liquidation;
- ➔ to acquire bonus shares when the authorised capital is increased by the Bank's funds;
- ➔ by right of pre-emption to acquire shares or convertible debentures issued by the Bank except the case when the general meeting of the shareholders in accordance with the procedures established by the Law on Companies of the Republic of Lithuania takes a decision to abolish the right of pre-emption of all shareholders;
- ➔ by means established by law to lend money to the Bank, however, the Bank, while incurring debt, has no right to pledge its assets to the shareholders. If the Bank incurs debt from the shareholder, interest shall not exceed the average interest rate of the commercial banks situated in the living or

business place of the lender that was valid at the time of making a loan contract. In this case the Bank and the shareholders are banned from negotiating extent of higher interest;
- ➔ other property rights established by laws.

Shareholders have the following non-property rights:
- ➔ to participate in the general meetings of the shareholders. Persons who were shareholders at the end of the record date of the meeting shall have the right to attend and vote at the general meeting or repeat general meeting themselves, unless otherwise provided for by laws, or may authorise other persons to vote for them as proxies or may dispose of their right to vote to other persons with whom an agreement on the disposal of the voting right has been concluded. The record date of the general meeting of the Bank's shareholders shall be the fifth working day before the general meeting or the fifth working day before the repeat general meeting;
- ➔ according to the rights granted by the shares to vote in the general meetings of the shareholders:
- ➔ each ordinary registered share of the Bank grants its holder 1 (one) vote in the general meeting of the shareholders;
- ➔ the preference registered share of the Bank shall not grant its holder voting right in the general meeting of the shareholders unless the cases provided for by the Law on Companies of the Republic of Lithuania;
- ➔ to receive the information about the Bank provided for by the Law on Companies of the Republic of Lithuania;
- ➔ to bring a case before a court, claiming for indemnification to the Bank when the damage was caused by the Head of the Bank Administration's and members of the Board' s failure to perform their official duties or inappropriate performance of these duties established by the Law on Companies of the Republic of Lithuania and other laws as well as the Articles of Association of a Bank, and in other cases stipulated by laws;
- ➔ other non-property rights determined by laws.

17. DESCRIPTION OF THE RESTRICTIONS FOR FREE DISPOSAL OF SECURITIES

There are no restrictions for free disposal of securities except the cases stipulated by the Law on Banks of the Republic of Lithuania:

<u>Persons who may not be the shareholders of the Bank:</u>
- ➔ legal entities that are financed from the state or municipality budgets;
- ➔ the persons that did not provide any data for their own identification as well as the data on participants, activity, financial state, heads of the legal entity, the persons for whose benefit shares are obtained or legitimacy of the acquisition of the funds used for obtaining the shares to the supervisory institution in cases and under the procedures established by legal acts, as well as the persons who did not prove the legitimacy of the acquisition of the funds used for obtaining the shares by providing the said data;
- ➔ the persons who do not agree that in cases and under the procedures provided for by laws and other legal acts the supervisory institution shall administer their data necessary for the issue of licences, permits and agreements stipulated by this Law, including their personal data and information on one's previous convictions and health.

A person who is willing to acquire 10 % of the authorised capital of the bank or more, or is willing to increase his/her share of the authorised capital so that it makes 1/5, 1/3, 1/2 of the share, or to increase his/her share so that the bank becomes controlled by him/her, shall get the prior authorization of the supervisory institution.

18. SHAREHOLDERS

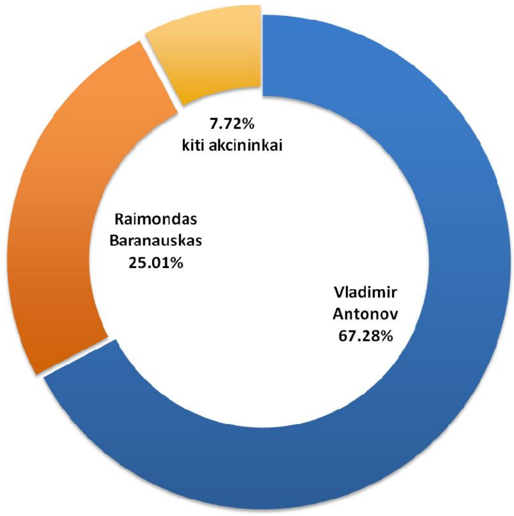
The shareholders who by ownership have more than 5 % of the authorised capital of the Bank on 31 December 2008:

Shareholder	Number of available shares		Equity capital/ share of votes, %
	Preference	Ordinary	
Vladimir Antonov	0	263 667 972	64,01/67,28
Raimondas Baranauskas	200 000	98 001 934	23,84/25,01

At the end of the reference period, the Bank had 3 080 shareholders, 3 029 of them had shares entitling to voting rights.

All holders of the ordinary registered shares of the Issuer have equal voting rights.

Owners of registered ordinary shares as of 31 December 2008



19. NUMBER OF EMPLOYEES AT THE END OF THE TERMS

	31-12-2008	31-12-2007
Total number of employees	1 287	1 171
Thereof:		
Leading executives	95	95
Specialists	1 083	971
Other employees	109	105
Education:		
Higher	989	851
Special secondary (further)	228	250
Secondary	70	70
Average gross salary, LTL:	3 779,60	3 409,40

20. THE ORDER OF AMENDMENTS OF THE BANK'S ARTICLES OF ASSOCIATION

The general shareholders' meeting has a right to amend the Bank's Articles of Association by the eligible majority of votes which cannot be less than 2/3 of all votes given by the shares of the shareholders participating in the general shareholders' meeting.

21. THE ORGANS OF THE BANK AND THEIR AUTHORITY

The Bank's organs are the general shareholders' meeting, the Supervisory Board of the Bank, the Board and the administration manager. The organs of the Bank's Board are the Bank's Board and the administration manager.

The general shareholders' meeting

The general shareholders' meeting by the common majority of the votes of all shareholders participating in in the meeting has a right to:

- elect members of the Bank's Supervisory Board;
- dismiss the Bank's Supervisoy Board or its individual members;
- choose and revoke an audit company, set conditions of paying for auditing services;
- approve the annual financial report;
- adopt a decision for the Bank to obtain its own shares;
- elect and dismiss the Bank's liquidator, apart from the exceptions defined in the Law on the public limited liability companies of the Republic of Lithuania;
- make solutions for the issues presented by the Bank's Board and the Supervisory Board.

The general shareholders' meeting by the eligible majority of votes, which cannot be less than 2/3 of all votes given by the shares of the shareholders participating in the general shareholders' meeting, adopts decisions:

- to amend the Bank's Articles of Associations, apart from the exceptions defined in the Law on the public limited liability companies of the Republic of Lithuania;
- to set the class, number, nominal price of the issued shares and the minimum cost of the emission;
- to convert the Bank's shares of one class into another, to approve the order of the share conversion;
- to issue convertible bonds;
- concerning allocation of profit (losses);
- concerning formation, utilization, minimization and dissolution of reserves;
- to increase the authorized capital;
- to minimize the authorized capital, apart from the exceptions defined in the Law on the public limited liability companies of the Republic of Lithuania;
- concerning the approval of the conditions of the Bank's reorganization or separation;
- concerning the coconstruction of the Bank;
- concerning the Bank's liquidation and cancellation of liquidation, apart from the exceptions defined by the laws;
- to transfer to the Bank's management organs the right to use the entire property of the Bank.

The general shareholders' meeting by the eligible majority of votes, which cannot be less than 3/4 of all votes given by the shares of the shareholders participating in the general shareholders' meeting and having the right to vote in solving this question, adopts a decision:

- to cancel the right of pre-emption for all shareholders to obtain the shares of a specific emission issued by the Bank or convertible bonds of a specific emission issued by the Bank.

The Supervisory Board of the Bank is a collegial body supervising the bank's activity. The Supervisory Board of the Bank comprises 7 members. It is elected by the general shareholders' meeting.

The Supervisory Board of the Bank:

- approves the activity plans of the Bank;
- sets the borrowing procedure that may be implemented only subject to the approval of the Supervisory board of the Bank;
- ensures the effective internal control system within the Bank. It forms the internal audit committee, approves its regulations and controls its activity;
- elects and withdraws the members of the Bank management board. Should the results of the Bank activity show that the activity of the Bank is at loss, the Supervisory board shall consider the suitability of the members of the management board for their offices;
- supervises the activity of the management board and the head of administration of the Bank. In determining the remuneration of the Bank management board members who have other offices at the

Bank as well as of heads of administration and other employment agreement conditions, it should be approved by the Bank supervisory board in advance;

- → submits responses and suggestions to the general shareholders' meeting regarding the Bank activity strategy, annual financial accounts, draft distribution of profit and the activity report of the Bank as well as the activity of the management board and administration of the Bank;
- → submits proposals to the management board and the heads of administration of the Bank regarding the withdrawal of their decisions contrary to the laws and other legislation, to the statute (articles of association) of the Bank or the decisions of the general shareholders' meeting.
- → discusses and settles the questions which according to the laws of the banks of the Republic of Lithuania as well as other legislation or Bank statute (articles of association) should be settled by the supervisory board of the Bank, as well as other supervision issues over the activity of the Bank and its management bodies set forth by the decisions of the general shareholders' meeting for the competence of the Bank supervisory board.

The Management Board of the Bank is a collegial management body. The Managgement Board manages the Bank, runs its affairs, represents it and is responsible for the Bank operations performance in accordance with the laws.

The management board comprises 7 members who are elected for 4 years by the supervisory board of the Bank. The Bank management board elects a Bank management board chairman of its members.

The Bank management:

- → elects the chairman of the Management board and the deputy chairman;
  The Bank management discusses and approves:
- → the activity strategy of the Bank;
- → the annual report of the Bank;
- → the management structure and the offices of the employees;
- → the offices which are being employed by way of selection;
- → the regulations of the Bank territorial subdivisions (branches, branch outlets, mini-banks and representative offices), the office regulations of the head of administration and his deputy;
- → determines the remuneration for the head of administration of the Bank and other employment agreement conditions;
- → determines the information which is held to be the Bank secret; the information which according to the laws of the Republic of Lithuania on the limited liability companies should be public;
- → determines the internal control policy of the Bank and controls whether the internal control system is appropriate and efficient;
- → approves the order of paying for the associates' work and granting premiums, determines the limits of their salaries;
- → approves the competence of the Bank's Crediting Committee and Risk Management Committee, the order of formation and activity, approves bylaws of these committees;
- → adopts decisions concercing the issuance and acceptance of loans according to the limits of competence designated for it;
- → adopts decisions on writing off loss-making loans and defines the order of writing off the loans;
- → manages, uses and disposes the assets appropriated for the debts;
- → appoints people to represent the companies where the Bank has shares;
- → adopts decisions concerning the issuance of the Bank's bonds and the order of their turnover;
- → determines the Bank's crediting policy;
- → sets forth the costs and tariffs of the Bank's services;
- → analyses and evaluates the material, submitted by the Bank's administration manager, about:
- → implementation of the activity strategy of the Bank;
- → reorganization of the Bank's activity;
- → the Bank's financial status;
- → results of the household activity, estimates of income and expenditures, data of inventory and other asset exchange accounting data;
- → adopts decisions for the Bank to become the founder or participant of other legal persons;

- → adopts decisions to establish territorial subdivisions of the Bank: branches, branch outlets, mini-banks and representative offices as well as to terminate their activity;
- → adopts decisions concerning the long-term assets whose balance value exceeds 1/20 of the Bank's authorized capital, investment, transfer, rent (calculated separately for each type of a transaction);
- → adopts decisions concerning the long-term assets whose balance value exceeds 1/20 of the Bank's authorized capital, pledging and mortgage (the overall amount of the transactions is calculated);
- → adopts decisions concerning assumptions of other persons, whose amount exceeds 1/20 of the Bank's authorized capital, execution, sponsorship or guarantee;
- → adopts decisions to obtain long-term assets for the price which exceeds 1/20 of the Bank's authorized capital;
- → analyses, evaluates the Bank's annual financial accounting project as well as the project of profit (loss) allocation and together with the Bank's annual report submits them to the general shareholders' meeting. The Bank's Board determines the calculation methods applied in the Bank which are associated with wearing-out of the material assets and depreciation of non-material property;
- → discusses or solves other questions which must be solved by the Bank's Board, according to the laws on the banks of the Republic of Lithuania and other laws or the Bank's Articles of Association, the decisions of the general shareholders' meeting;
- → solves other questions of the Bank if they, according to the laws of the Republic of Lithuania or other legal acts are not ascribed to the competence of other organs of the Bank.

The Bank's administration manager is called the President of the Bank. The office of the Bank's administration manager is held by the chairman of the Bank's Board. The President of the Bank is a one-man management body of the Bank.

The President of the Bank:

- → organizes the everyday activity of the Bank;
- → represents the Bank in relations with legal and natural persons in Lithuania and abroad;
- → under the order established by the laws makes transactions on behalf of the Bank, represents the Bank in the court without specific authorization, arbitrage, in the organs of the government and management and in other institutions;
- → provides suggestions to the Board concerning the Bank's activity, structure and other issues;
- → employs and dismisses associates, concludes and terminates employment agreements with them (including the directors of the Bank's branches and representative offices), confirms their office regulations, motivates them and appoints penalties;
- → issues and revokes the authorizations to represent the Bank;
- → determines the standards of the property wastage calculation applied in the Bank;
- → issues orders, confirms rules regulating the order of the bank's internal work, instructions, regulations of the structural subdivisions (divisions, departments, units), the office regulations of the employees (apart from the exceptions from these articles of associations provided for by the laws) and other regulating documents;
- → not exceeding the competence, executes the orders of the Bank's Board and the Supervisory Board;
- → executes the functions ascribed to his competence in the laws and other legal acts.

The President of the Bank is responsible for:

- → organizing the Bank's activity and accurately implementing it;
- → arranging the annual financial accountability and preparing the Bank's annual;
- → concluding the agreement with the auditing company;
- → submitting the information and documentation to the general shareholders' meeting, the Bank's Supervisory Board and Management Board in the cases defined by the law on the public limited liability companies of the Republic of Lithuania or upon their request;
- → submitting the Bank's documents and data to the keeper of the legal entities register;
- → submitting the Bank's documents to the Securities Commission and the Central securities depository of Lithuania;
- → publicizing the information set forth by the law on the public limited liability companies of the Republic of Lithuania;
- → submitting information to the shareholders;

→ executing the obligations defined in the office regulations of the Bank's Articles of Associations and the Bank's administration manager as well as in other laws on the public limited liability companies of the Republic of Lithuania and legal acts.

22. INFORMATION ABOUT THE ISSUER'S COLLEGIAL AUTHORITIES MEMBERS, HEAD OF THE COMPANY, THE CHIEF ACCOUNTANT

22.1. The position, full names and personal codes (p/c) of members of collegial authorities:

Supervisory Board of the Bank		
Vladimir Antonov	Chairman of the Supervisory Board	
Aleksandr Antonov	Member of the Supervisory Board	
Maksim Anchipolovsky	Member of the Supervisory Board	
Francisco Jose Guadamillas Cortes	Member of the Supervisory Board	
Oleg Sukhorukov	Member of the Supervisory Board	
Andrei Vernikov	Member of the Supervisory Board	
Michael D. Chartres	Member of the Supervisory Board	
Board of the Bank		
Raimondas Baranauskas	Chairman of the Board (head of administration)	p/c 35801190372
Naglis Stancikas	Deputy Chairman of the Board	p/c 36809020245
Žoržas Šarafanovičius	Deputy Chairman of the Board	p/c 37111060408
Romasis Vaitekūnas	Deputy Chairman of the Board	p/c 34308040153
Aušra Ižičkienė	Member of the Board	p/c 46610220521
Modestas Keliauskas	Member of the Board	p/c 36704041222
Gitanas Kancerevyčius	Member of the Board	p/c 37607280344
Head of the company		
Raimondas Baranauskas	President of the Bank	p/c 35801190372
Chief accountant		
Jurgita Bliumin	Chief bookkeeper	p/c 47908270319

22.2. Data on participation in the authorized capital of the issuer:

	Number of available shares		Equity capital/ share of votes, %
	Preference	Ordinary	
Supervisory Board of the Bank:			
Vladimir Antonov	-	263 667 972	64,01/67,28
Aleksandr Antonov	Does not participate in bank capital		-
Maksim Anchipolovsky	Does not participate in bank capital		-
Francisco Jose Guadamillas Cortes	Does not participate in bank capital		-
Oleg Sukhorukov	Does not participate in bank capital		-
Andrei Vernikov	Does not participate in bank capital		-
Michael D Chartres	Does not participate in bank capital		-

Board of the Bank:			
Raimondas Baranauskas	200 000	98 001 934	23,84/25,01
Naglis Stancikas	-	23 907	<0,01
Žoržas Šarafanovičius	Does not participate in bank capital		-
Romasis Vaitekūnas	-	3 226	<0,001
Aušra Ižičkienė	-	3 500	<0,001
Modestas Keliauskas	Does not participate in bank capital		-
Gitanas Kancerevyčius	-	3 300	<0,001
Chief accountant			
Jurgita Bliumin	Does not participate in bank capital		-

22.3. The beginning and end of the present term of office of the collegial authorities members

		Beginning of the term of office	End of the term of office
Supervisory Board of the Bank			
Chairman:	Vladimir Antonov	11-06-2007	11-06-2011
Members:	Aleksandr Antonov	11-06-2007	11-06-2011
	Francisco Jose Guadamillas Cortes	01-11-2008	11-06-2011
	Maksim Anchipolovsky	01-11-2008	11-06-2011
	Oleg Suchorukov	11-06-2007	11-06-2011
	Andrej Vernikov	11-06-2007	11-06-2011
	Michael D Chartres	11-06-2007	11-06-2011
Board of the Bank			
Chairman:	Raimondas Baranauskas	05-06-2007	05-06-2011
Members:	Naglis Stancikas	05-06-2007	05-06-2011
	Žoržas Šarafanovičius	05-06-2007	05-06-2011
	Romasis Vaitekūnas	05-06-2007	05-06-2011
	Aušra Ižičkienė	05-06-2007	05-06-2011
	Modestas Keliauskas	05-06-2007	05-06-2011

22.4. Information about the amounts of money accrued during the accounting period (LTL):

	Supervisory Board of the Bank	Board of the Bank
Total accrued amount of money	1 799 000	4 633 470
To one member on the average	300 000	661 924
	Head of the company	Chief accountant
Accrued amount of money	1 679 221	223 864

23. INFORMATION CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES

Public limited liability company Bank SNORAS, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance:

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The activity strategy and the objective of the Bank are disclosed in the annual report of the Bank, part of the informatikon is available at the website of the Bank.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Supervisory Board of the Bank, the Management Bord and the head of administration evaluate the input of the bank employees in the improvement of the bank activity. For this purpose the employees are given the opportunities for self-improvement, to have thorough participation in the bank activity, the Bank awards the employees for novel ideas in the field of bank activity improvement. The Bank extends financial support for sports events, exhibitions, makes investments in the cultural life of the local community.
Principle II: The corporate governance framework The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	In compliance with the laws of the banks and financial institutions of the Republic of Lithuania the Bank has an instituted supervisory board, board of management and an elected head of administration.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The collegial management body – the management board – performs the Bank management functions, whereas the collegial supervisory body – the supervisory board – supervises the work of the management board as well as the efficiency of its functions performance.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applica-ble	The Bank forms both the supervisory board and the management board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	The members of the Bank supervisory board are elected by the shareholders from the kandidates suggested by the shareholders, for this reason the order of forming the supervisory board ensures the representation of interests of the minority shareholders of the bank.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	Both the supervisory board and the Bank management board have 7 (seven) members each.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The bank's supervisory board is elected for 4 years and the terms of office of a supervisory board member are unlimited. According to the now valid articles of association and practice of the Bank, it is not prohibited to elect the same supervisory board members for a new term of office.

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairman of the supervisory board can conduct independent and impartial supervision because he never was and at the moment is not the head of bank's administration.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the formalion of the supervisory board is ensured by the objective and fair monitoring. The minority shareholders are not limited in their right and opporunity to have their representative in the supervisory body.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	Yes	The bank considers the following supervisory board members to be independent members: Mr. Andrei Vernikov ir Mr. Michael D. Chartres.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on		

the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 1) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 2) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 3) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 4) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 5) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 6) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 7) He/she has not been in the position of a member of the collegial body for over than 12 years; 8) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.	Yes	
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	Yes	
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Yes	The members mentioned in clause 3.6 are considered to be independent members, as they meet the independence criteria set out in the Code.

3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Yes	
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes	At the extraordinary general shareholders' meetings as of 12 October 2007 "The order of the remuneration for the Bankas Snoras supervisory board" was approved.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	All the supervisory board members act in good will with regard to the Bank, follow the interests of the Bank and not their own or the ones of third parties, seeking to retain their independence in decision-making.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The bank's supervisory board members actively participate in the board meetings and devote sufficient time and attention to perform their duties as members of the supervisory board.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The collegial body of the Bank treats all the company's shareholders impartially and fairly.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in	Yes	The bank's supervisory board is independent in passing decisions that are significant for the Bank's operations and strategy.

particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.		
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	Two committees are formed in the Bank: the internal audit committee as well as the nomination and remuneration committee.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	The internal audit committee is formed of three members, one of whom is considered to be independent. The nominationa and remuneration committee is formed of four member, one of whom is considered to be independent. The composition of the committees was formed considering the banking sector experience of the members, not their independence.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	Yes	The Bank has a formed nomination and remuneration committee which performs all the functions mentioned in clause 4.12.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;	Yes	The Bank has a formed nomination and remuneration committee which performs all the functions mentioned in clause 4.13.

• Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external	Yes	The Bank has a formed internal audit committee which performs all the functions mentioned in clause 4.14.

auditors.		
4.14.5. The audit committee should be informed of the internal auditor’s work program, and should be furnished with internal audit’s reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.		
4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.		
4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body’s structure, work organization and ability to act as a group, evaluation of each of the collegial body member’s and committee’s competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The assessment of the supervisory board is not conducted in the Bank. The legislation of the Republic of Lithuania does not require such assessment performance.

Principle V: The working procedure of the company’s collegial bodies

The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company’s bodies.

5.1. The company’s supervisory and management bodies (hereinafter in this Principle the concept ‘collegial bodies’ covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	
5.2. It is recommended that meetings of the company’s collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company’s supervisory board should be convened at least once in a quarter, and the company’s board should meet at least once a month.	Yes	The meetings of the supervisory board are convened at least once a quarter, the meetings of the management board – at least once a fortnight.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	No	The bank capital comprises ordinary and preferred shares.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The bank informs the investors publicly of the rights of the new or the issued shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	According to the law of the limited liability companies of the Republic of Lithuania as well as Articles of Association of the Bank such issues are decided by the Bank management board. The important transactions require the approval of the supervisory board.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The Bank ensures equal opportunities for the shareholders to participate at the meetings and does not prejudice the rights and interests of the shareholders.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The projects of the decisions of the meeting and other documents, as well as the decisions of the meeting are made publicly accessible by the Bank at the VSE Information disclosure system and at its website.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	There is no need to install the measures mentioned in the clause. Moreover, the benefit from them would be smaller than the expenditures of their installation.

Principle VII: The avoidance of conflicts of interest and their disclosure The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Bank does not make a public statement of the remuneration policy.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The remuneration statement is not publicly stated.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	The remuneration statement is not publicly stated.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The remuneration statement is not publicly stated.

8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The remuneration statement is not publicly stated.
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The remuneration statement is not publicly stated.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.	No	The remuneration statement is not publicly stated. The annual report presents the overall sum of money paid to the bank supervisory board, management board and the head of administertion.

8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	The remuneration of directors is not in shares, share options or share price movements.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	The Bank has not made any limitations as to the participation in the authorized capital.

9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes	
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	No	The importance of events is taken into consideration, at times the Bank announces the material events during the trading session.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The information at the bank's website is published in Lithuania, English and Russian languages.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	

Principle XI: The selection of the company's auditor The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.	
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes

24. DATA ON INFORMATION THAT IS SUBJECT TO PUBLIC DISCLOSURE

28-01-2008	The unaudited net profit of Public limited liability company Bank SNORAS in 2007 amounts to LTL 71,723 million (EUR 20,77 million).
29-01-2008	The earned profit of the Bank in 2007 comprises 89.7 per cent of the result anticipated in the plans. The lower results of Bank SNORAS were influenced by EUR 175 million worth bond emission distributed in the middle of 2007. It was planned to distribute EUR 100 million worth bonds at the beginning of the year.
31-01-2008	The Board of Public limited liability company Bank SNORAS adopted a decision to convene an ordinary general shareholders' meeting on 18 March 2008.
07-02-2008	The unaudited result of Bank SNORAS Group for 2007 equals LTL 83.45 million (EUR 24.17 million) of profit. The result includes LTL 14.41 million of profit from selling the shares of a subsidiary company.
03-03-2008	The intermediary abridged 12-month financial accountability is announced.
12-03-2008	The projects of the decisions of the general shareholders' meeting are announced.
12-03-2008	The Board of Public limited liability company Bank SNORAS decided to offer at the general shareholders' meeting to allocate for paying of dividends: LTL 1 for a preference share; LTL 0.12 for one registered ordinary share.
18-03-2008	The consolidated annual report for 2007 and the financial accountability is submitted.
18-03-2008	The decisions of the general shareholders' meeting are announced.
22-04-2008	The result of the 3-month financial activity of Public limited liability company Bank SNORAS in 2008 comprises LTL 16.93 million (EUR 4.90 million) of unaudited net profit, i.e. 23 per cent more than in 2007 (LTL 13.76 million or EUR 3.99 million).
30-04-2008	The result of the 3-month activity of the Bank group is submitted, which comprises LTL 64.5 million (EUR 18.7 million) of unaudited net profit.
20-05-2008	The group of Public limited liability company Bank SNORAS announced its intention to acquire 66 per cent of shares of FMĮ Jūsų tarpininkas UAB and 66.65 per cent of shares of JT investicijų valdymas UAB.
20-05-2008	The Board of the Bank decided to establish the Cyprus branch of Public limited liability company Bank SNORAS.
30-05-2008	The intermediary information of AB Bank SNORAS.
02-06-2008	It was announced that the Board of Public limited liability company Bank SNORAS in 2008 intends to propose the general shareholders' meeting to increase the authorized capital of the Bank from own funds.
19-06-2008	The base prospectus of LTL 300,000,000 of Public limited liability company Bank SNORAS is submitted.
16-07-2008	Concerning an extraordinary general shareholders' meeting.
18-07-2008	The result of the 6-month financial activity of Public limited liability company Bank SNORAS for 2008 is announced which comprises LTL 17.7 million (EUR 5.13 million) of unaudited net

	profit.
07-08-2008	The result of the 6-month financial activity of Public limited liability company Bank SNORAS group for 2008 comprises LTL 36.78 million (EUR 10.65 million) of unaudited net profit. During the first six months of 2007, the Bank's group earned LTL 33.27 million (EUR 9.64 million) of audited net profit.
27-08-2008	Public limited liability company Bank SNORAS signed the agreements according to which the company of the Bank's group acquired 66.67 per cent of shares of JT investicijų valdymas UAB and 66 per cent of shares of FMĮ Jūsų tarpininkas UAB.
29-08-2008	The intermediary 6-month report for 2008 and financial accountability is announced.
01-09-2008	The projects of the decisions of the extraordinary general shareholders' meeting are announced.
11-09-2008	The decisions of the extraordinary general shareholders' meeting of Public limited liability company Bank SNORAS are announced.
22-09-2008	Concerning Annex No.2 of the base bond prospectus.
09-10-2008	It was decided to establish the Bank subsidiary company SNORO valda UAB upon the resolution of the Board of Public limited liability company Bank SNORAS.
17-10-2008	The result of the 9-month financial activity of Public limited liability company Bank SNORAS for 2008 is announced which comprises LTL 18.358 million (EUR 5.317 million) of unaudited net profit.
17-10-2008	The international rating agency Standard and Poors affirmed the ratings which were earlier set up for Public limited liability company Bank SNORAS, and due to the worsening macro-economic situation in Lithuania it changed the rating outlook from stable to negative. Affirmed ratings: Long-term Issuer Default – "BB-" and Short-term Issuer Default – "B".
21-10-2008	The Board of Public limited liability company Bank SNORAS adopted a decision to increase the capital base, LTL 120 million equivalent worth termless debt securities included in the capital will be distributed in a non-public manner.
23-10-2008	The Board of the Bank of Lithuania permitted Bank SNORAS to register the amendment of the Articles of Association, related to increasing the authorized capital by LTL 158 568 327 up to LTL 411 922 567, which were adopted at the extraordinary general shareholders' meeting that was held on 10 September 2008.
30-10-2008	Concerning registering the authorized capital in the companies register.
28-11-2008	The intermediary information of Public limited liability company Bank SNORAS is announced.
30-12-2008	SNORO turto valdymas UAB sold 29.8 per cent of shares of the Dutch car manufacturer Spyker Cars N.V. to the Republic of Cyprus company Desolery Holdings Limited.
03-06-2008 – 18-11-2008	It was announced 42 times about transactions concluded by managers.

All announcements of the Bank, which are subject to public disclosure by the laws, are publicized in "Respublika" newspaper according to the terms set forth by the laws and legal acts of the Republic of Lithuania. The information about the corporate actions of the Bank is submitted to the Securities Commission of the Republic of Lithuania, to Vilnius Securities Stock Exchange, information disclosure and distribution system GlobeNewswire and is also published at the website www.snoras.lt

25. TRANSACTIONS WITH THE BANK RELATED PERSONS

Group

	31 December 2008		31 December 2007	
	Shareholders	Key management personnel*	Shareholders	Key management personnel*
Loans issued at the beginning of the period, net	9 604	210	-	1 097
Loans issued at the end of the period, net	9 628	507	9 604	210
Due from banks at the beginning of the period	-	-	-	-
Due from at banks at the end of the period	-	-	-	-
Due to banks at the beginning of the period	-	-	-	-
Due to banks at the end of the period	-	-	-	-
Deposits at the beginning of the period	69	5 590	87	437
Deposits at the end of the period	-	9 998	69	5 590

* Key management personnel include presidents and vice-presidents of Bankas Snoras AB

	31 December 2008			31 December 2007		
	Shareholders	Subsidiaries	Key management personnel*	Shareholders	Subsidiaries	Key management personnel*
Loans issued at the beginning of the period, net	9 604	281 844	200	-	204 936	342
Loans issued at the end of the period, net	9 628	532 258	2	9 604	281 844	200
Due from banks at the beginning of the period	-	21 871	-	-	33 465	-
Due from at banks at the end of the period	-	93 786	-	-	21 871	-
Due to banks at the beginning of the period	-	138	-	-	755	-
Due to banks at the end of the period	-	417 469	-	-	138	-
Deposits at the beginning of the period	69	4 984	5 469	87	1 307	209
Deposits at the end of the period	-	5 089	9 857	69	4 984	5 469

* Key management personnel include presidents and vice-presidents of Bankas Snoras AB and Latvijas Krājbanka A/S

As of 14 September 2005 the Bank also received a subordinated loan from its controlling shareholder, who is a private individual. As of 31 December 2008 the outstanding amount of subordinated loan, including accrued interest, amounted to LTL 70,293 thousand (LTL 70,198 thousand as of 31 December 2007)

AB Bankas SNORAS

2008 Separate and Consolidated Financial Statements

Prepared According to International Financial Reporting Standards
Presented together with Independent Auditor's report

CONTENTS

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Register of Legal Entities

Independent auditor's report to the shareholders of AB Bankas Snoras

We have audited the accompanying 2008 financial statements of AB Bankas Snoras, a public limited liability company registered in the Republic of Lithuania (hereinafter the Bank), and consolidated financial statements of the Bank together with its subsidiaries (hereinafter the Group), which comprise the Bank's and the Group's balance sheets as of 31 December 2008, the statements of income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis
Auditor's licence
No. 000003
President

The audit was completed on 13 March 2009.

CONSOLIDATED AND SEPARATE BALANCE SHEETS

(LTL thousand)

		Group		Bank	
		As of 31 December		As of 31 December	
	Notes	2008	2007	2008	2007
Assets					
Cash and cash equivalents	3	2,338,360	3,099,436	1,538,464	1,587,821
Financial assets at fair value through profit or loss	4	145,169	849,619	91,132	708,028
Amounts due from credit institutions	5	227,827	438,360	181,537	387,828
Available-for-sale financial assets	8	-	33,835	-	32,865
Loans to customers, net	6	4,953,299	4,086,816	3,425,752	2,648,726
Held-to-maturity financial assets	7	261,660	149,999	158,146	126,309
Investments in subsidiaries	1	-	-	137,636	136,912
Investment property	9	65,659	34,100	-	-
Property and equipment	11	234,552	203,232	125,176	105,890
Work in progress	10	106,064	43,503	-	-
Intangible assets	12	27,981	20,845	8,998	3,607
Deferred income tax assets	13	1,131	544	-	-
Other assets	15	90,014	36,695	27,810	15,788
Total assets		**8,451,716**	**8,996,984**	**5,694,651**	**5,753,774**
Liabilities					
Amounts due to credit institutions	17	318,689	519,312	614,008	382,596
Derivative financial liabilities	4	14,807	4,199	788	418
Debt securities issued	19	593,913	639,920	576,298	625,378
Amounts due to customers	18	6,746,009	7,017,321	3,900,959	4,117,040
Subordinated loans	16	114,416	114,379	70,293	70,198
Current income tax liabilities		3,828	8,490	-	3,558
Deferred income tax liabilities	13	13,133	11,718	7,913	5,160
Other liabilities	15	64,146	86,150	29,272	44,942
Total liabilities		**7,868,941**	**8,401,489**	**5,199,531**	**5,249,290**
Equity	20				
Share capital		411,922	253,354	411,922	253,354
Share surplus		-	99,137	-	99,137
Reserves		66,455	65,379	61,242	55,255
Retained earnings		50,365	123,864	21,956	96,738
Total equity attributable to equity holders of the parent		**528,742**	**541,734**	**495,120**	**504,484**
Minority interest		54,033	53,761	-	-
Total equity		**582,775**	**595,495**	**495,120**	**504,484**
Total equity and liabilities		**8,451,716**	**8,996,984**	**5,694,651**	**5,753,774**

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

Signed and authorised for release on behalf of the Board of Directors of the AB Bankas SNORAS:

President	Raimondas Baranauskas		13 March 2009
Chief Financial Officer	Jurgita Bliumin		13 March 2009

CONSOLIDATED AND SEPARATE STATEMENTS OF INCOME

(LTL thousand)

		Group		*Bank*	
		For the year ended 31 December		*For the year ended 31 December*	
	Notes	*2008*	*2007*	*2008*	*2007*
Interest revenue		571,545	425,620	340,565	233,951
Interest expense		(351,196)	(229,218)	(240,903)	(146,003)
Net interest income	24	**220,349**	**196,402**	**99,662**	**87,948**
(Impairment) recovery of interest earning assets	14	(68,046)	(1,271)	(38,338)	11,476
Net interest income after impairment of interest earning assets		**152,303**	**195,131**	**61,324**	**99,424**
Fee and commission revenue		117,983	103,151	81,815	72,168
Fee and commission expenses		(26,071)	(24,129)	(10,803)	(8,910)
Net fee and commission income	25	**91,912**	**79,022**	**71,012**	**63,258**
Net gains and losses from transactions with financial assets designated at fair value through profit or loss	26	16,900	(3,378)	10,354	(1,447)
Net gains and losses from transactions with financial instruments classified as held for trading	27	(30,156)	(675)	(23,148)	(3,066)
Net gains and losses from transactions in foreign currencies	28	74,218	29,617	35,692	10,604
Net gains and losses from sales of available-for-sale financial assets		(11)	(2,164)	-	(2,164)
Sale of minority interest*	1	-	-	-	14,408
Dividend revenue		80	1,147	11,406	10,155
Other income	29	11,575	8,316	4,514	1,831
Other non interest income		**72,606**	**32,863**	**38,818**	**30,321**
Salaries and benefits	30	(135,178)	(106,216)	(70,280)	(55,116)
Depreciation and amortisation	11, 12	(24,692)	(20,243)	(11,513)	(8,722)
Other operating expenses	30	(125,098)	(88,785)	(62,017)	(43,951)
Other (impairment and provisions) releases		-	140	-	140
Operating expenses		**(284,968)**	**(215,104)**	**(143,810)**	**(107,649)**
Profit before income tax		**31,853**	**91,912**	**27,344**	**85,354**
Income tax expense	13	(8,511)	(18,995)	(5,388)	(13,631)
Profit for the year		**23,342**	**72,917**	**21,956**	**71,723**
Attributable to:					
Minority interest		56	5,545	-	-
Equity holders of the parent		23,286	67,372	21,956	71,723
		23,342	72,917	21,956	71,723
Basic and diluted earnings per share	21	0.05	0.19		

**The gain from sale of shares of subsidiary in amount of LTL 14,408 thousand in the consolidated financial statements of the Group was accounted for directly in the statement of changes in equity*

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

Signed and authorized for release on behalf of the Board of Directors of the AB Bankas SNORAS:

President	Raimondas Baranauskas		13 March 2009
Chief Financial Officer	Jurgita Bliumin		13 March 2009

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December, 2008 and 2007

(LTL thousand)

Group

	Attributable to the equity holders of the Bank									
	Share capital	*Share surplus*	*Reserve capital*	*Revaluation reserve of property and equipment*	*Revaluation reserve of financial assets*	*Reserve of foreign currency translation*	*Other general reserves*	*Retained earnings*	*Minority interest*	*Total equity*
As of 31 December 2006	**157,267**	**305**	**8,790**	**18,312**	**(2,650)**	**(174)**	**43,049**	**93,927**	**29,434**	**348,260**
Gains less losses from sales of available-for-sale financial assets	-	-	-	-	(2,164)	-	-	-	-	(2,164)
Revaluation of financial assets	-	-	-	-	4,748	-	-	-	-	4,748
Revaluation of property and equipment	-	-	-	23,719	-	-	-	-	2,997	26,716
Reserve of foreign currency translation	-	-	-	-	-	230	-	-	-	230
Total income and expense recognized directly in equity	-	-	-	23,719	2,584	230	-	-	2,997	29,530
Net profit	-	-	-	-	-	-	-	67,372	5,545	72,917
Total income and expenses for the period	-	-	-	23,719	2,584	230	-	67,372	8,542	102,447
Transfer of revaluation reserve to the retained earnings	-	-	-	(56)	-	-	-	56	-	-
Increase of share capital (Note 20)	96,087	98,832	-	-	-	-	(39,020)	(15,887)	15,434	155,446
Dividends	-	-	-	-	-	-	-	(25,061)	(2,364)	(27,425)
Sale of minority interest (Note 1)	-	-	-	-	-	-	-	14,052	2,715	16,767
Transfer to reserve capital	-	-	7,400	-	-	-	-	(7,400)	-	-
Transfer to other reserves	-	-	-	-	-	-	3,195	(3,195)	-	-
As of 31 December 2007	**253,354**	**99,137**	**16,190**	**41,975**	**(66)**	**56**	**7,224**	**123,864**	**53,761**	**595,495**
Gains less losses from sales of available-for-sale financial assets	-	-	-	-	66	-	-	-	-	66
Reversal of deferred tax from revaluation reserve	-	-	-	(1,366)	-	-	-	-	(1,892)	(3,258)
Reserve of foreign currency translation	-	-	-	-	-	(4,975)	-	-	-	(4,975)
Total income and expense recognized directly in equity	-	-	-	(1,366)	66	(4,975)	-	-	(1,892)	(8,167)
Net profit	-	-	-	-	-	-	-	23,286	56	23,342
Total income and expenses for the period	-	-	-	(1,366)	66	(4,975)	-	23,286	(1,836)	15,175
Increase of share capital (Note 20)	158,568	(99,137)	-	-	-	-	-	(59,431)	-	-
Dividends	-	-	-	-	-	-	-	(30,003)	(3,037)	(33,040)
Minority interest emerged with the acquisition of subsidiary companies (Note 1)	-	-	-	-	-	-	-	-	5,145	5,145
Transfer to reserve capital	-	-	2,467	-	-	-	-	(2,467)	-	-
Transfer to other reserves	-	-	-	-	-	-	4,884	(4,884)	-	-
As of 31 December 2008	**411,922**	**-**	**18,657**	**40,609**	**-**	**(4,919)**	**12,108**	**50,365**	**54,033**	**582,775**

(cont'd on the next page)

SEPARATE STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the years ended 31 December, 2008 and 2007

(LTL thousand)

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

Bank

	Share Capital	*Share surplus*	*Reserve capital*	*Revaluation reserve of property and equipment*	*Revaluation reserve of financial assets*	*Reserve of foreign currency translation*	*Other general reserves*	*Retained earnings*	*Total equity*
As of 31 December 2006	**157,267**	**305**	**8,790**	**18,310**	**(2,650)**	**-**	**42,593**	**76,329**	**300,944**
Gains less losses from sales of available-for-sale financial assets	-	-	-	-	(2,164)	-	-	-	(2,164)
Revaluation of financial assets	-	-	-	-	4,765	-	-	-	4,765
Revaluation of property and equipment	-	-	-	14,265	-	-	-	-	14,265
Total income and expense recognized directly in equity	-	-	-	14,265	2,601	-	-	-	16,866
Net profit	-	-	-	-	-	-	-	71,723	71,723
Total income and expenses for the period	-	-	-	14,265	2,601	-	-	71,723	88,589
Transfer of revaluation reserve to the retained earnings	-	-	-	(56)	-	-	-	56	-
Increase of share capital (Note 20)	96,087	98,832	-	-	-	-	(39,020)	(15,887)	140,012
Dividends	-	-	-	-	-	-	-	(25,061)	(25,061)
Transfer to reserve capital	-	-	7,400	-	-	-	-	(7,400)	-
Transfer to other reserves	-	-	-	-	-	-	3,022	(3,022)	-
As of 31 December 2007	**253,354**	**99,137**	**16,190**	**32,519**	**(49)**	**-**	**6,595**	**96,738**	**504,484**
Gains less losses from sales of available-for-sale financial assets	-	-	-	-	49	-	-	-	49
Reversal of deferred tax from revaluation reserve	-	-	-	(1,366)	-	-	-	-	(1,366)
Total income and expense recognized directly in equity	-	-	-	(1,366)	49	-	-	-	(1,317)
Net profit	-	-	-	-	-	-	-	21,956	21,956
Total income and expenses for the period	-	-	-	(1,366)	49	-	-	21,956	20,639
Increase of share capital (Note 20)	158,568	(99,137)	-	-	-	-	-	(59,431)	-
Dividends	-	-	-	-	-	-	-	(30,003)	(30,003)
Transfer to reserve capital	-	-	2,467	-	-	-	-	(2,467)	-
Transfer to other reserves	-	-	-	-	-	-	4,837	(4,837)	-
As of 31 December 2008	**411,922**	**-**	**18,657**	**31,153**	**-**	**-**	**11,432**	**21,956**	**495,120**

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

Signed and authorized for release on behalf of the Board of Directors of the AB Bankas SNORAS:

President	Raimondas Baranauskas		13 March 2009
Chief Financial Officer	Jurgita Bliumin		13 March 2009

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

(LTL thousand)

		Group		Bank	
		For the year ended 31 December		For the year ended 31 December	
	Notes	2008	2007	2008	2007
Operating activities					
Net result for the year		23,342	72,917	21,956	71,723
Adjustments to reconcile net profit or loss to net cash provided by operating activities		**143,794**	**112,926**	**85,888**	**52,147**
Income tax expenses		8,511	18,995	5,388	13,631
Unrealized foreign currency gains and losses		27,534	16,674	14,671	13,151
Depreciation / amortization		24,692	20,243	11,512	8,722
Impairment		49,620	5,665	19,912	(8,155)
Provisions, net		-	(140)	-	(140)
(Gains) losses on sale of investments, net		(1,746)	-	(1,746)	(14,408)
Impairment of held-to-maturity investments		18,426	-	18,426	-
(Gains) losses on sale of tangible assets, net		(343)	(1,527)	(11)	(219)
Change in accrued interest income		(11,961)	(2,839)	(3,378)	(1,208)
Change in accrued interest expenses		27,932	55,855	21,114	40,773
Cash flows from operating profits before changes in operating assets and liabilities		**166,007**	**185,843**	**107,844**	**123,870**
Decrease (increase) in balances with banks		202,708	(256,991)	198,204	(229,393)
(Increase) in loans and receivables		(809,686)	(1,543,743)	(778,975)	(1,070,144)
Sale of held for trading securities		197,421	201,517	203,042	116,644
Sale of financial assets designated at fair value through profit or loss		508,321	(573,415)	407,465	(437,647)
(Increase) decrease in other assets		(266,374)	4,223	(26,973)	(16,372)
(Decrease) increase in deposits from credit institutions		(200,928)	(377,032)	231,210	(263,267)
(Decrease) increase in deposits (other than from credit institutions)		(330,890)	2,332,879	(256,057)	1,038,551
(Decrease) increase in other liabilities		(8,350)	1,157	(13,108)	(1,667)
Income tax (paid)		(13,123)	(17,032)	(7,558)	(15,666)
Cash flow from (to) operating activities		**(554,894)**	**(42,594)**	**65,094**	**(755,091)**
Investing activities					
Cash (payments) to acquire tangible assets	11	(51,368)	(58,342)	(29,436)	(16,535)
Cash receipts from the sale of tangible assets		673	2,804	44	425
Cash (payments) to acquire intangible assets	12	(10,347)	(5,028)	(6,787)	(2,006)
Cash receipts from the sale of intangible assets		116	-	-	-
Cash (payments) for the investment in subsidiaries, net of cash acquired		(3,208)	(159)	(724)	(54,061)
Cash receipts from the disposal of associates, subsidiaries, net of cash disposed		-	-	-	17,264
Effect on cash and cash equivalents on transfer of subsidiary		-	(65,596)	-	-
Sale of available-for-sale assets		33,769	820,210	32,914	820,160
Cash (payments) to acquire held-to-maturity investments		(125,450)	(5,314)	(48,343)	(52,989)
Net cash flow from (to) investing activities		**(155,815)**	**688,575**	**(52,332)**	**712,258**
Financing activities					
Dividends (paid)		(33,040)	(27,425)	(30,003)	(25,061)
Cash receipts from the sale of shares in subsidiaries to minority interest		-	17,264	-	-
Issue of debt certificates (including bonds)		18,665	614,108	18,665	599,959
(Repayments) of debt certificates (including bonds)		(64,672)	(8,324)	(67,745)	(8,324)
Cash proceeds from the issuance of subordinated liabilities		-	6,101	-	-
Cash proceeds from issuing shares or other equity instruments		-	155,446	-	140,012
Net cash flow from (to) financing activities		**(79,047)**	**757,170**	**(79,083)**	**706,586**
Net (decrease) increase in cash and cash equivalents		(789,756)	1,403,151	(66,321)	663,753
Net foreign exchange difference		28,680	(58,315)	16,964	(40,507)
Cash and cash equivalents at beginning of the period		3,099,436	1,754,600	1,587,821	964,575
Cash and cash equivalents at end of the period	3	**2,338,360**	**3,099,436**	**1,538,464**	**1,587,821**

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CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS (CONT'D)

(LTL thousand)

	Group		Bank	
	For the year ended 31 December		For the year ended 31 December	
	2008	2007	2008	2007
Interest received	566,760	414,566	344,363	230,231
Interest (paid)	(323,264)	(173,363)	(219,789)	(105,233)
Dividends received	80	1,147	11,406	10,155

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

Signed and authorized for release on behalf of the Board of Directors of the AB Bankas SNORAS:

President	Raimondas Baranauskas		13 March 2009
Chief Financial Officer	Jurgita Bliumin		13 March 2009

(LTL thousand)

1. Principal Activities

AB Bankas SNORAS (hereinafter the Bank) is the parent company of the Group. It was formed on 17 March 1992 under the laws of the Republic of Lithuania. The Bank operates under a general banking license issued by the Bank of Lithuania. The Banks main office is in Vivulskio Str. 7, Vilnius, Lithuania and it has 11 branches in Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, Utena, Marijampolė, Mažeikiai, Alytus, Tauragė, Tallin and 241 operating outlets.

The Bank offers the following banking services: accepts deposits from individuals, 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. The subsidiary companies of the Bank provide the real estate management, construction and renovation, asset management, consumer financing and securities fund management services to the participants of the markets of Lithuania and Baltic states.

Till 19 February 2007 the Bank was the member of Conversbank Group and its financial statements were consolidated into the financial statements of Conversbank Group consolidated financial statements.

Shareholders (ordinary shares) of AB Bankas SNORAS	As of 31 December 2008, %	2007, %
Mr. Vladimir Antonov, chairman of the Bank's Council	67.28	68.65
Mr. Raimondas Baranauskas, chairman of the Bank's Board	25.01	25.10
Other: number of shareholders / owned %	3,027/7.71	2,365/6.25
Total	**100.00**	**100.00**

Shareholders (preference shares) of AB Bankas SNORAS	As of 31 December 2008, %	2007, %
Conversgroup Holding Company	45.00	45.00
Mr. Raimondas Baranauskas, chairman of the Bank's Board	10.00	10.00
Clients of Skandinaviska Enskilda Banken	9.92	9.93
Mr. Žilinskis Algirdas Liudvikas	5.64	5.64
Other: number of shareholders / owned %	343/29.44	305/29.43
Total	**100.00**	**100.00**

As of 31 December 2008 the members of the Management Board controlled 98,035,867 shares or 25.01 % (2007 – 58,584,341 or 25.10%) of the Bank.

The Bank has the following subsidiaries, which were consolidated in these financial statements:

Subsidiary	Ownership % 2008	2007	Country	Industry
UAB Snoro Lizingas	100%	100%	Lithuania	Consumer financing
UAB Snoro Rizikos Kapitalo Valdymas *	100%	100%	Lithuania	Debt recovery
UAB Vilniaus Kapitalo Vystymo Projektai	60%	60%	Lithuania	Real estate
UAB Snoro Turto Valdymas	100%	100%	Lithuania	Venture capital projects
UAB Snoro Fondų Valdymas	100%	100%	Lithuania	Fund management
UAB Snoro Investicijų Valdymas	100%	100%	Lithuania	Real estate
UAB Snoro Valda	100%	-	Lithuania	Real estate
UAB JT Investicijų Valdymas *	66.66%	-	Lithuania	Fund management
UAB FMĮ Jūsų Tarpininkas *	100%	-	Lithuania	Financial brokerage
ZAO Snoras Capital Market *	99.98%	-	Russia	Fund management
ZAO Yarovit *	100%	-	Russia	Real estate
AS Latvijas Krājbanka	76.02%	75.93%	Latvia	Banking
SIA Krājinvestīcijas *	76.02%	75.93%	Latvia	Real estate
Ieguldijumu Pārvaldes Sabiedrība LKB Asset Management*	76.02%	75.93%	Latvia	Fund management
AS Ieguldijumu Sabiedrība Astra Fondi *	76.02%	75.93%	Latvia	Fund management
AS Pirmais Atklātais Pensiju Fonds *	76.02%	75.93%	Latvia	Fund management
SIA LKB Līzings *	76.02%	75.93%	Latvia	Consumer financing
SIA LKB Drošība *	76.02%	-	Latvia	Security and cash services
AAS LKB Life *	75.86%	-	Latvia	Insurance
AS Center Credit *	38.77%	-	Latvia	Investment services

**The companies are not under direct control of the Bank.*

(LTL thousand)

The Bank and the above mentioned subsidiaries are further referred as a Group. In the consolidated financial statements all inter-company balances and transactions were eliminated. Consolidated financial statements were prepared using the same accounting principles for similar transactions and events.

The Bank's unconsolidated financial statements are presented according to the requirements of local laws. In stand alone financial statements of the Bank, the investments in subsidiaries are accounted for using the cost method.

UAB Snoro Lizingas was formed as a private company under the laws of the Republic of Lithuania on 30 April 1999. The company's principal activity is consumer financing. In 16 November 2007, UAB Snoro Lizingas founded 100% controlled subsidiary company UAB Snoro Rizikos Kapitalo Valdymas. The company's principal activity is debt recovery.

UAB Vilniaus Kapitalo Vystymo Projektai was formed as a private company under the laws of the Republic of Lithuania on 17 November 2000. The company's principal activity is real estate development, rent and sale. On 29 December 2007 the Bank sold 40% of UAB Vilniaus Kapitalo Vystymo Projektai shares. Gain from sale of shares in amount of LTL 14,408 thousand in the consolidated financial statements of the Group was accounted for directly in the statement of changes in equity.

UAB Snoro Turto Valdymas was formed as a private company under the laws of the Republic of Lithuania on 18 December 2003. The company's principal activity is venture capital projects. In December 2007 and January 2008 this subsidiary acquired 29.8% of shares in Dutch company Spyker Cars N.V. and in 25 December 2008 this subsidiary sold all shares of Spyker Cars N.V. (Note 4).

On 21 March 2008 UAB Snoro Turto Valdymas bought 99.98% of JSC Imaco Trade Invest (subsequently name was changed to JSC Snoras Capital Market Limited). The company's principal activity is fund management in Russia.

On 19 June 2008 UAB Snoro Turto Valdymas bought 100% of JSC Transport company Yarovit. The company's principal activity is real estate development.

On 26 August 2008 UAB Snoro Turto Valdymas bought 66.66% of UAB JT Investicijų Valdymas. The company's principal activity is fund management

On 26 August 2008 UAB Snoro Turto Valdymas bought 66% and on 15 December the 44% of UAB FMĮ Jūsų Tarpininkas. The company's principal activity is financial brokerage

UAB Snoro Fondų Valdymas was formed as a private company under the laws of the Republic of Lithuania on 4 March 1992. The company's principal activity is fund management.

UAB Snoro Investicijų Valdymas was formed as a private company under the laws of the Republic of Lithuania on 14 February 2005. The company's principal activity is real estate management.

UAB Snoro Valda was formed as a private company under the laws of the Republic of Lithuania on 25 November 2008. The company's principal activity is real estate management.

In September 2005 the Bank acquired 83.01% interest in the Latvian commercial bank AS Latvijas Krājbanka.

AS Latvijas Krājbanka has a 100% owned limited liability company Krājinvestīcijas. The limited liability company Krājinvestīcijas was registered with the Latvian Enterprise Registry on 30 June 2004. The principal activities of Krājinvestīcijas are real estate property management.

In 2006 subsidiary of the Bank AS Latvijas Krājbanka founded 100% controlled investment fund management company LKB Assets Management.

In 9 January 2007 the subsidiary of the Bank AS Latvijas Krājbanka founded a 100% controlled company SIA LKB Līzings. The principal activities of SIA LKB Līzings - consumer financing.

In 30 June 2007 the subsidiary of the Bank AS Latvijas Krājbanka acquired 100% of shares in a pension fund management company AS Pirmais Atklātais Pensiju Fonds.

In September 2008 AS Latvijas Krājbanka acquired 99,79% of AAS Baltikums Dzīvība shares. To promote the company's recognisability and connection to AS Latvijas Krājbanka the company's name was changed to the insurance company LKB LIFE. The principal activities of AAS Baltikums Dzīvība – insurance services.

(LTL thousand)

In August 2008 AS Latvijas Krājbanka concluded a contract on acquisition of 51% of SIA Center Credit capital shares. SIA Center Credit, in its turn, holds 100% capital shares of the limited liability company Spozhyv Servis («Спожів Сервис») registered in the Ukraine. The principal activities of SIA Center Credit – investment and crediting services.

As of 31 December 2008 the number of employees of the Group was 2,514 (2,111 as of 31 December 2007). As of 31 December 2008 the number of employees of the Bank was 1,287 (1,103 as of 31 December 2007).

Financial crisis and it's impact on AB Bankas SNORAS Group

Year 2008, especially the second half of the year, was a time of severe crisis in financial markets. Lithuanian financial sector, being integral part of global system was also affected. Financial institutions faced some stress test scenarios in real life and their ability to withstand was tested.

The management of the Bank, who already has successfully dealt with challenges of the Russian crisis in 1998, was able to react to the incoming crisis timely and took active measures to minimize impact of it. Such strategy proved itself. The management has a firm opinion that the Group and the Bank has not been affected more than any other similar profile institution in the banking sector of Lithuania or Latvia. Even more, due to little reliance on interbank market funding, the Group was affected relatively less by freeze of interbank lending than other financial institutions. The prudent and conservative credit risk management resulted in relatively small exposure to such sectors, which were affected most by worsening economic conditions. Therefore the management of the Group and the Bank is sure that AB Bankas SNORAS is in a strong position to be able to realize assets and discharge liabilities in the normal course of operations for the foreseeable future.

Nevertheless, the Bank is having plans to strengthen it's capital position by injecting extra capital into Group financial institutions. The deal of increase of the Latvijas Krajbanka share capital by EUR 10,616 thousand is in finalizing state. AB Bankas SNORAS is also planning a new USD 20 million hybrid capital injection to happen soon. Such measures shall provide extra cover to absorb any possible credit losses and increase depositors protection.

In late 2008 the Bank had to address the downward trend of the liquidity ratio, which was caused by deposit outflow in the fourth quarter, due to meaningful concerns about the economy of the country and the capability of the governmental and regulatory institutions to cope with a non standard situation, particularly issues related to nationalization of one of the largest privately owned banks in Latvia. It was also influenced by regular seasonal fluctuations – which is related to trade activities before the yearend sales and was slightly distorted due to lowered overall consumer activity.

Bank's liquidity ratio at the year-end comprised 36.37%, which is reasonably above the minimum requirements and does not conflict with an efficient use of funds nowadays. The deposit outflow trend significantly influenced the liquidity position of the Group and the Bank in November, while already in December the expected recovery took place. The additional efforts were put into customer relationship management – the information about the regular ongoing deposit campaigns was more actively delivered to the customers. Recent statistics reflect that the customers have gradually regained the pace in the stressed economic environment all around the world. Not only the amount of deposits and their maturities but also volume of payments and foreign currency exchange transactions has recently increased. By 5th March, 2009, the total amount of private residents' deposits of the Bank has increased by more than 6,9 % when compared to 31st December 2008.

(LTL thousand)

2. Significant Accounting Policies

Basis of presentation

These separate and consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss, available-for-sale financial assets and investment property that have been measured at fair value, and buildings measured at revaluated amounts.

Statement of compliance

As described in the Note 1, the current economic environment is challenging, however, the management of the Bank does not believe that uncertainties in Global financial markets and Lithuanian economy, as related to its operations, are any more significant than those of similar enterprises in Lithuania and has a reasonable expectation that the Group and the Bank have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, these separate and consolidated financial statements of the Bank and the Group have been prepared on a going concern basis, consistently applying International Financial Reporting Standards (IFRS), effective as of 31 December 2008 as adopted by the European Union.

Presentation currency

The financial statements are presented in thousands of Lithuanian Litas (LTL), the local currency of the Republic of Lithuania, unless otherwise stated. Subsidiaries in Latvia maintain their records in Latvian Lat (LVL), subsidiaries in Russia maintain their records in Russian Rouble (RUB) and subsidiaries in Ukraine maintain their records in Ukrianian Hryvnia (UAH). As these financial statements are presented in LTL thousands, individual amounts were rounded.

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Bank and the Group have adopted the following new and amended IFRS and IFRIC interpretations during the year:

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets;
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions.

The principal effects of these changes are as follows:

Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets

Through these amendments the IASB implemented additional options for reclassification of certain financial instruments categorised as held-for-trading or available-for-sale under specified circumstances. Related disclosures were added to IFRS 7.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity.

Standards issued but not yet effective

The Bank and the Group have not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 January 2009).

The amendment to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. The new requirements affect only the parent's separate financial statements and do not have an impact on the consolidated financial statements.

Besides, a new version of IFRS 1 was issued in November 2008. It retains the substance of the previous version, but within a changed structure and replaces the previous version of IFRS 1 (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

(LTL thousand)

Amendment to IFRS 2 Share-based Payment (effective for financial years beginning on or after 1 January 2009).

The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The amendment will have no impact on the financial position or performance of the Bank and the Group, as they do not have share-based payments.

Amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. In accordance with the transitional requirements of these amendments, the Group will adopt them as a prospective change. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standards will not be restated.

IFRS 8 Operating Segments (effective for financial years beginning on or after 1 January 2009).

The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 replaces IAS 14 Segment Reporting. The Group expects that the operating segments determined in accordance with IFRS 8 will not materially differ from the business segments previously identified under IAS 14.

Amendment to IAS 1 Presentation of Financial Statements (effective for financial years beginning on or after 1 January 2009).

This amendment introduces a number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements when they are restated retrospectively. The Bank and the Group are still evaluating whether it will present all items of recognised income and expense in one single statement or in two linked statements.

Amendment to IAS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2009).

The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for financial years beginning on or after 1 January 2009).

The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for financial years beginning on or after 1 July 2009).

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

(LTL thousand)

Improvements to IFRSs

In May 2008 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard; most of the changes are effective for financial years beginning on or after 1 January 2009. The Group anticipates that these amendments to standards will have no material effect on the financial statements.

- IFRS 7 Financial Instruments: Disclosures. Removal of the reference to 'total interest income' as a component of finance costs.

- IAS 1 Presentation of Financial Statements. Assets and liabilities classified as held for trading in accordance with IAS 39 are not automatically classified as current in the balance sheet.

- IAS 8 Accounting Policies, Change in Accounting Estimates and Errors. Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

- IAS 10 Events after the Reporting Period. Clarification that dividends declared after the end of the reporting period are not obligations.

- IAS 16 Property, Plant and Equipment. Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Also, replaced the term "net selling price" with "fair value less costs to sell".

- IAS 18 Revenue. Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.

- IAS 19 Employee Benefits. Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment.

- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance. Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.

- IAS 23 Borrowing Costs. The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

- IAS 27 Consolidated and Separate Financial Statements. When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- IAS 28 Investment in Associates. If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. In addition, an investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.

- IAS 29 Financial Reporting in Hyperinflationary Economies. Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.

- IAS 31 Interest in Joint ventures: If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- IAS 34 Interim Financial Reporting. Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

(LTL thousand)

- IAS 36 Impairment of Assets. When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

- IAS 38 Intangible Assets. Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

- IAS 39 Financial Instruments: Recognition and Measurement. Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

- IAS 40 Investment Property. Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

- IAS 41 Agriculture. Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced the term 'point-of-sale costs' with 'costs to sell'.

IFRIC 12 Service Concession Arrangements (effective once adopted by the EU).

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

IFRIC 13 Customer Loyalty Programmes (effective for financial years beginning on or after 1 July 2008).

This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled. The Bank and the Group do not maintain customer loyalty programmes, therefore, this interpretation will have no impact on the financial position or performance of the Bank and the Group.

IFRIC 15 Agreement for the Construction of Real Estate (effective for financial years beginning on or after 1 January 2009 once adopted by the EU).

The interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. The Group is still assessing how this interpretation will impact consolidated financial statements.

(LTL thousand)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for financial years beginning on or after 1 October 2008 once adopted by the EU).

The interpretation provides guidance on the accounting for a hedge of a net investment in a foreign operation. IFRIC 16 will not have an impact on the consolidated financial statements because the Group does not have hedges of net investments.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. IFRIC 17 will not have an impact on the consolidated financial statements because the Group does not distribute non-cash assets to owners.

IFRIC 18 Transfers of Assets from Customers (effective for transfers of assets received on or after 1 July 2009 once adopted by the EU).

The Interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 will not have an impact on the consolidated financial statements because the Group does not have such agreements.

Subsidiaries

Subsidiaries, which are those entities in which the Group and the Bank has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and the Bank and are no longer consolidated from the date that control ceases. All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated but may result in recognising an impairment loss where the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Acquisition of Subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of purchase consideration over the fair value of the Group's share of identifiable net assets is recorded as goodwill. If the cost of the acquisition is less than the fair value of the Group's share of identifiable net assets of the subsidiary acquired the difference is recognized directly in the statement of income.

Minority interest is the interest in subsidiaries not held directly or indirectly by the Group. Minority interest at the balance sheet date represents the minority shareholders' portion of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date and the minorities' portion of change in equity since the date of the combination. Minority interest is presented within equity.

The sale of minority interest is recorded directly in the Group's statement of changes in equity.

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiary unless there is a binding obligation and the ability of the minority to fund the losses. All such losses are allocated to the Group.

(LTL thousand)

Accounting for subsidiaries in separate financial statements

In separate financial statements the investments in subsidiaries that are not classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 are accounted for at cost less impairment losses.

Financial assets and financial liabilities

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

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

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

Financial assets or financial liabilities at fair value through profit or loss

Derivative Financial Instruments

In the normal course of business, the Group and the Bank enter into various derivative financial instruments including futures, forwards and swaps in the foreign exchange and capital markets. Such financial instruments are primarily held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of income as gains less losses from derivative instruments.

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

Financial assets or financial liabilities held for trading

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

Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy;
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Related profit or loss on revaluation is charged directly to the income statement. Interest income and expenses and dividends on such investments are recognised as interest income and expenses and dividend income respectively.

(LTL thousand)

Held to maturity investments

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

Loans and receivables

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

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

Loan agreements foresee the possibility of repayment before the maturity date. The management of the Bank and the Group cannot estimate how often or when clients would use such an option and therefore the cash flows or the expected life cannot be estimated reliably and, consequently, the contractual cash flows over the full contractual term were used by the Bank and the Group.

Non-performing loans

Loans are treated as non-performing when loan principal or interest payable is overdue for 90 and more days for corporate clients and 180 and more days for private individuals.

Write-offs

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

Factoring

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

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

Available-for-sale financial assets

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

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

(LTL thousand)

Debt issued and other borrowed funds

Issued financial instruments and their components are classified as liabilities, where the substance of the contractual arrangement results in the Group and the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of compound financial instruments, that contain both liability and equity elements, are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amounts separately determined as the fair value of the liability component on the date of issue.

After initial recognition, debt issued and other borrowings, which are not designated at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Offsetting

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

Cash and cash equivalents

Cash, current accounts with the Central Banks and current accounts with other banks due to their high liquidity with maturity up to three months as from the date of deposit or acquisition are accounted for as cash and cash equivalents in the cash flow statement. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(LTL thousand)

Compulsory reserves with the Central Banks are treated as cash and cash equivalents, as according to the requirements of the Bank of Lithuania and the Bank of Latvia, the Group and the Bank are obliged to upkeep average rate of funds during the required period, but on the daily basis the whole amount is at the Group's and the Bank's disposition.

Sale and repurchase agreements and lending securities

Securities sold subject to linked repurchase agreements are retained in the financial statements as trading or investment securities and the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits, or deposits due to customers, as appropriate. Securities purchased under agreements to resell are recorded as loans and advances to other banks or customers as appropriate. The difference between sale and repurchase price is treated as interest and amortised over the life of the repurchase agreements using fixed interest rate for the whole period.

Borrowed securities are not included into the financial statements, unless they were sold to a third party. A liability for the obligation to return these securities is recognised at fair value as a trading liability.

Leases

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

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

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

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

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

Taxation

The current income tax expenses are calculated in accordance with the regulations of the Republic of Lithuania or applicable regulations of the state of incorporation of subsidiary.

The standard income tax rate in Lithuania is 15%. Starting from 1 January 2009 the income tax applied to the companies in the Republic of Lithuania is 20%.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group and the Bank change its activities due to which these losses incurred except when the Group and the Bank do not continue its activities due to reasons which do not depend on the Group and the Bank itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

(LTL thousand)

In 2008 and 2007 the standard income tax rate in Latvia was 15% and is based on the taxable profit reported for the taxation period.

In 2008 and 2007 the standard income tax rate in Russia was 24% and is based on the taxable profit reported for the taxation period.

In 2008 and 2007 the standard income tax rate in Ukraine was 25% and is based on the taxable profit reported for the taxation period.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to be applied to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The Group and the Bank in Lithuania, Latvia, Russia and Ukraine also have various operating taxes that are assessed on the Group's and Bank's activities. These taxes are included as a component of other administrative and operating expenses.

Property and equipment

Property and equipment, except for buildings, are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Buildings are recorded at revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. The fair value of the buildings is determined by appraisals undertaken by certified independent appraisers. The depreciation of buildings is calculated on a straight-line basis over the estimated useful lives of assets.

In the case of revaluation, when the fair value of an asset is lower than its carrying amount, the carrying amount of this asset is immediately reduced to the amount of fair value and the decrease is recognised as expenses. However, such decrease is 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.

In the case of revaluation, when the fair value of an asset is higher than its carrying amount, the carrying amount of this asset is increased to the amount of fair value and such increase is recorded directly in equity in the revaluation reserve of property and equipment. However, such increase in value is recognised as income only to the extent it does not exceed the amount of the previous revaluation decrease recognised as expenses.

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

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Depreciation of assets under construction and those not placed in service commences from the date the assets are available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	60 years
Service outlets	20 years
Motor vehicles	6 years
Furniture and fixtures	5 - 7 years
Computers and office equipment	1 - 5 years

(LTL thousand)

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

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for recognition.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by he Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Any difference at that date between the carrying amount and fair value is treated in the same way as a revaluation of property and equipment. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised through profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised through profit or loss.

Projects under development

Projects under development represent real estate projects in development, which are acquired and further developed for sale. Projects under development are accounted for at lower cost or net realisable value and included in other assets caption in the balance sheet. Cost also includes the cost of development and other directly attributable costs.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired businesses at the date of acquisition. Goodwill arising from the acquisition of a subsidiary is included in intangible assets. Goodwill from the acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(LTL thousand)

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end. Estimated useful lives of intangibles with finite useful lives are presented below:

	Years
Non-contractual customer relationship	10 years
Core deposit intangibles	7 years
Other intangible assets (computer software and licences)	1 - 5 years

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

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

Impairment of financial assets

The Group and the Bank assess at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

<u>Due from banks and loans and advances to customers</u>

For amounts due from banks and loans and advances to customers carried at amortised cost, the Group and the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant (the significance level of the Group and the Bank is LTL 345 thousand or EUR 100 thousand). If the Group and the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

The present value of the estimated future cash flows is discounted using the financial asset's original effective interest rate. If loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's and the Bank's internal credit rating system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

(LTL thousand)

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held to maturity investments

For held to maturity investments the Group and the Bank assess individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts previously charged are credited to the income statement.

Renegotiated loans

Where possible, the Group and the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan terms. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that the future payments are likely to occur. The loans continue to be the subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Impairment of other assets

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

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

Credit-related commitments

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

In the ordinary course of the business the Group and the Bank issue financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, under Other liabilities caption, being premium received. Subsequent to initial recognition, the Group's and the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required for settling any financial obligation arising as a result of the guarantee.

(LTL thousand)

Any increase in the liability relating to financial guarantees is recorded to the income statement under Impairment expenses caption. The premium received is recognised in the income statement in Net fees and commissions income on a straight line basis over the life of guarantee.

Guarantees represent irrevocable assurances that the Group and the Bank will make payments in the event when a customer cannot meet its obligations to the third parties. In case of execution of such a guarantee it is subsequently accounted for as balance sheet item and is subject for impairment assessment. Until a guarantee is terminated, it is treated as risk asset for capital adequacy calculation purposes.

Documentary and commercial letters of credit represent written undertakings by the Group and the Bank on behalf of a customer authorising a third party to draw drafts on the Group and the Bank up to a stipulated amount under specific terms and conditions. Letters of credit are collateralised by the underlying shipments of goods. Letters of credit are treated as risk assets for capital adequacy calculation purposes.

Provisions

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

Provisions made to guarantees and stand-by facilities

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

Retirement and Other Employee Benefit Obligations

The Group and the Bank do not have any pension arrangements separate from the State pension system of the Republic of Lithuania and the Republic of Latvia where applicable, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expenses are charged in the period the related salaries are earned. In addition, the Group and the Bank have no post-retirement benefits or significant other compensated benefits requiring accrual.

Share capital

Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital (share surplus).

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Earnings per share

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

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

(LTL thousand)

Contingencies

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

Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to evaluation of impairment (including goodwill), provisions for loan commitments and stand-by facilities, fair value, and realisation of deferred tax assets.

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

The Group and the Bank regularly review their loans and receivables to assess impairment. The Group and the Bank use its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. Similarly, the Group and the Bank estimate changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables when scheduling its future cash flows. The Group and the Bank use their experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Group and the Bank determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group and the Bank to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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.

Income and expense recognition

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

(LTL thousand)

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of income as gains less losses from foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a certain transaction and the Bank of Lithuania exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official exchange rates of the main currencies, used for the revaluation of balance sheet items as at the year end were as follows (LTL units to currency unit):

	31 December 2008	31 December 2007
1 EUR*	3.4528	3.4528
1 USD	2.4507	2.3572
100 RUB	8.3337	9.6085
1 LVL**	4.8872	4.9567
1 GBP	3.5517	4.7088

**Starting from 2 February 2002 LTL is pegged to EUR at the rate of LTL 3.4528 for EUR 1.*
***Starting from 1 January 2005 LVL is pegged to EUR at the rate of LVL 0.702804 for EUR 1*

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into Lithuanian Litas at the rate of exchange ruling at the balance sheet date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in equity relating to that particular entity is recognised in the statement of income.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

Fair values of financial assets and liabilities

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

Subsequent events

Post-year-end events that provide additional information about the Group's and 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.

(LTL thousand)

3. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	Group		*Bank*	
	2008	***2007***	***2008***	***2007***
Cash at hand	196,158	223,135	112,244	136,679
Current accounts with the Central Banks	455,589	415,561	335,809	263,337
Current accounts with other credit institutions	1,480,147	755,691	912,929	710,681
Time deposits with credit institutions up to 90 days	206,466	1,705,049	177,482	477,124
Cash and cash equivalents	**2,338,360**	**3,099,436**	**1,538,464**	**1,587,821**

The credit institutions in Lithuania and Latvia have to keep a computed deposit (compulsory reserve) at the Central bank. The amount of it depends on the funds attracted by credit institutions. The Group's and the Bank's right to withdraw the deposit is restricted by laws, according to which the monthly average amount of deposit has to be equal to the compulsory reserve, calculated according to the requirements of the Bank of Lithuania and the Bank of Latvia.

The compulsory reserve rate in Lithuania is 4% (6% as of 31 December 2007). The interest is calculated from the base of compulsory reserves, calculated according to the requirements of European Central Bank (ECB). There is no interest for the remaining compulsory reserves. The interest rate for the interest bearing part is equal to the ECB refinancing interest rate, valid on the day of transaction.

The rate of compulsory reserve rate in Latvia is 3.5% (8% as of 31 December 2007).

4. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are held for trading or designated as financial assets at fair value through profit or loss upon initial recognition.

Trading assets comprise:

	Group		*Bank*	
	2008	***2007***	***2008***	***2007***
Treasury bills and bonds of the Republic of Lithuania	23,572	146,511	23,302	146,079
Other governments' debt securities	1,453	26,359	-	26,359
Corporate bonds	26,649	67,851	26,649	67,851
Corporate shares	1,762	2,314	3	2,314
Investment funds' units	600	821	-	-
Derivative financial instruments	18,033	21,658	2,736	18,649
Trading assets	**72,069**	**265,514**	**52,690**	**261,252**

The Group and the Bank designate part of available for sale financial assets as at fair value through profit or loss upon their initial recognition. Such initial designation is performed due to the accounting mismatch, which would arise between futures, accounted for at fair value through profit or loss (acquired for the purpose of economic hedging of changes in fair value of available for sale assets) and available for sale financial assets which otherwise would be revalued using the fair value reserve within equity.

Financial assets designated as at fair value through profit and loss upon initial recognition comprise:

	Group		*Bank*	
	2008	***2007***	***2008***	***2007***
Treasury bills and bonds of the Republic of Lithuania	-	39,376	-	-
Other governments' debt securities	12,392	295,599	-	295,599
Corporate bonds	58,886	213,053	38,442	151,177
Corporate shares	1,822	36,077	-	-
Available for sale assets designated at fair value through profit and loss upon initial recognition	**73,100**	**584,105**	**38,442**	**446,776**

Bank's management has decided to reduce portfolio of securities due to current market situation, thus decrease in portfolio in year 2008 is observed.

(LTL thousand)

4. Financial Assets and Liabilities at Fair Value Through Profit or Loss (Cont'd)

In December 2007 and January 2008 Group acquired 29.8% of shares in Dutch company Spyker Cars N.V. These shares were classified as financial assets designated as at fair value through profit and loss upon initial recognition. In 25 December 2008 Group sold all shares for LTL 80,169 thousand (except one ordinary share). The profit from this deal amounts to LTL 16,034 thousand.

Coupon rates (yields for treasury bills) and maturities of these securities are as follows:

Group	***2008***		***2007***	
	%	*Maturity*	*%*	*Maturity*
Treasury bills and bonds of the Republic of Lithuania	3.75 - 5.1	2009 - 2016	3.7 - 5.6	2008 - 2015
Other governments' debt securities	3.38 - 6.01	2009 - 2016	2.5 - 10.6	2008 - 2020
Corporate bonds	4.12 - 10.10	2009 - 2017	1.5 - 12.79	2008 - 2017

Bank	***2008***		***2007***	
	%	*Maturity*	*%*	*Maturity*
Treasury bills and bonds of the Republic of Lithuania	3.75 - 5.1	2009 - 2016	3.7 - 5.6	2008 - 2015
Other governments' debt securities	-	-	2.5 - 10.6	2008 - 2012
Corporate bonds	4.33 - 7.6	2009- 2017	1.5 - 9.7	2008 - 2017

The Group acquired derivative financial instruments for trading purposes. Outstanding transactions with derivative financial instruments and trading liabilities are as follows:

Group	***2008***			***2007***		
	Notional amount	***Fair value***		***Notional amount***	***Fair value***	
		Assets	***Liabilities***		***Assets***	***Liabilities***
Foreign exchange contracts						
Forwards and Swaps – foreign	797,320	4,347	5,935	936,998	3,163	2,677
Forwards and Swaps – domestic	207,019	703	16	138,115	333	-
SPOT transactions	1,556,031	11,070	8,856	387,527	1,566	1,522
Foreign exchange contracts total	**2,560,370**	**16,120**	**14,807**	**1,462,640**	**5,062**	**4,199**
Call options						
Currency basket linked options	-	-	-	51,028	7,328	-
Equity indices linked options	99,472	1,913	-	86,320	6,123	-
FX linked options	34,528	-	-	-	-	-
Commodity indices linked options	-	-	-	14,143	3,145	-
Call options total	**134,000**	**1,913**	**-**	**151,491**	**16,596**	**-**
Total	**2,694,370**	**18,033**	**14,807**	**1,614,131**	**21,658**	**4,199**

Bank	***2008***			***2007***		
	Notional amount	***Fair value***		***Notional amount***	***Fair value***	
		Assets	***Liabilities***		***Assets***	***Liabilities***
Foreign exchange contracts						
Forwards and Swaps – foreign	332,120	120	692	344,667	1,720	418
Forwards and Swaps – domestic	207,019	703	96	138,115	333	-
SPOT transactions	333,835	-	-	-	-	-
Foreign exchange contracts total	**872,974**	**823**	**788**	**482,782**	**2,053**	**418**
Call options						
Currency basket linked options	-	-	-	51,028	7,328	-
Equity linked options	99,472	1,913	-	86,320	6,123	-
FX linked options	34,528	-	-	-	-	-
Commodity indices linked options	-	-	-	14,143	3,145	-
Call options total	**134,000**	**1,913**	**-**	**151,491**	**16,596**	**-**
Total	**1,006,974**	**2,736**	**788**	**634,273**	**18,649**	**418**

Call options represent embedded derivative instruments, separated from structured bonds (Note 7). As no market exists for those derivative instruments, they are valued using option pricing models.

(LTL thousand)

5. Amounts Due from Credit Institutions

Amounts due from credit institutions comprise time deposits of more than 90 days.

Group	*OECD*		*Lithuania*		*Russia*		*Other countries*		*Total*	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Time deposits of more than 90 days	181,983	312,521	-	58,029	-	98	45,844	67,712	227,827	438,360
Amounts due from credit institutions	**181,983**	**312,521**	**-**	**58,029**	**-**	**98**	**45,844**	**67,712**	**227,827**	**438,360**

Bank	*OECD*		*Lithuania*		*Russia*		*Other countries*		*Total*	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Time deposits of more than 90 days	181,537	312,521	-	58,029	-	-	-	17,278	181,537	387,828
Amounts due from credit institutions	**181,537**	**312,521**	**-**	**58,029**	**-**	**-**	**-**	**17,278**	**181,537**	**387,828**

6. Loans to Customers, net

Loans to customers comprise:

	Group		*Bank*	
	2008	***2007***	***2008***	***2007***
Loans to customers	4,594,643	3,747,754	3,060,454	2,313,715
Credit lines	378,677	295,638	348,974	270,275
Promissory notes	4,665	7,407	3,282	7,405
Reverse repurchase agreements	47,695	54,489	37,078	54,489
Factoring	1,584	11,472	1,011	9,930
	5,027,264	**4,116,760**	**3,450,799**	**2,655,814**
Less: allowance for loan impairment (Note 14)	(73,965)	(29,944)	(25,047)	(7,088)
Loans to customers, net	**4,953,299**	**4,086,816**	**3,425,752**	**2,648,726**

During 2008 the management of the Group and the Bank has made certain assumptions to arrive at the current estimates of impairment. The management of the Group and the Bank constantly monitor the loan portfolio and investigates market trends so that it could make necessary changes in impairment estimation, if required. Having other information available, management of the Group and the Bank may change assumptions for the impairment assessment, which would result in a change of the impairment allowance.

The Group's fair value of securities acquired under reverse repurchase agreements as of 31 December 2008 was LTL 53,977 thousand, the Bank's – LTL 43,360 thousand (LTL 76,748 thousand as of 31 December 2007).

Loans have been extended to the following types of customers:

	Group		*Bank*	
	2008	***2007***	***2008***	***2007***
Corporate clients	2,942,782	2,131,000	2,357,328	1,709,562
Individuals	1,894,314	1,868,482	990,285	879,043
State budget or municipal authorities	48,532	42,878	46,573	39,640
State companies	10,435	5,402	130	5,402
Other	57,236	39,054	31,436	15,079
Loans to customers, net	**4,953,299**	**4,086,816**	**3,425,752**	**2,648,726**

(LTL thousand)

6. Loans to Customers, net (Cont'd)

Loans are issued within the following industry sectors:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Individuals	1,894,314	1,868,482	990,285	879,043
Real estate	783,693	588,753	535,631	373,827
Manufacturing	408,266	255,565	312,640	192,090
Trading	323,879	282,857	223,791	208,067
Transport	313,037	203,286	170,488	101,958
Construction	260,726	198,208	189,146	160,487
Services	256,810	218,078	201,142	162,409
Financial services	223,592	201,402	629,422	414,857
Agriculture and food processing	120,868	106,425	82,009	66,199
Government and municipalities	44,512	24,221	42,630	20,948
Electricity	25,213	32,370	20,714	25,099
Fuel, gas and chemical	10,580	3,473	-	-
Other	287,809	103,696	27,854	43,742
Loans to customers, net	**4,953,299**	**4,086,816**	**3,425,752**	**2,648,726**

The table below presents breakdown of loans to actual payable of the customer and accrued and/ or impaired amounts:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Unpaid principal	5,000,813	4,117,578	3,429,856	2,652,826
Accrued and unpaid interest	43,514	19,852	25,063	9,686
Deferred income	(17,063)	(20,670)	(4,120)	(6,698)
Impairment loss allowance	(73,965)	(29,944)	(25,047)	(7,088)
Loans to customers, net	**4,953,299**	**4,086,816**	**3,425,752**	**2,648,726**

The Group's and the Bank's interest income earned on impaired loans during 2008 was accordingly LTL 5,562 thousand and LTL 4,604 thousand (LTL 2,768 thousand and LTL 1,137 thousand in 2007, respectively).

7. Held-to-Maturity Financial Assets

Held-to-maturity financial assets comprise:

Group	2008		2007	
	Carrying value	*Nominal value*	*Carrying value*	*Nominal value*
Corporate bonds	214,776	227,076	141,036	152,750
Government's bonds	65,310	65,641	8,963	7,894
Impairment	(18,426)	-	-	-
Held-to-maturity securities	**261,660**	**292,717**	**149,999**	**160,644**

Bank	2008		2007	
	Carrying value	*Nominal value*	*Carrying value*	*Nominal value*
Corporate bonds	160,195	167,466	126,309	137,348
Government's bonds	16,377	17,264	-	-
Impairment	(18,426)	-	-	-
Held-to-maturity securities	**158,146**	**184,730**	**126,309**	**137,348**

Interest rates and maturities of these financial assets are as follows:

Group	2008		2007	
	%	*Maturity*	*%*	*Maturity*
Corporate bonds	2.5-10.10	2008-2013	2.5 – 9.93	2008-2010
Government's bonds	3.75-6.78	2015	5.0 – 5.12	2008-2013

(LTL thousand)

7. Held-to-Maturity Financial Assets (Cont'd)

Bank	*2008*		*2007*	
	%	*Maturity*	*%*	*Maturity*
Corporate bonds	2.5 - 8.75	2008 - 2011	2.5	2008 - 2010
Government's bonds	3.75	2011	-	-

Held-to-maturity securities include structured bonds, purchased by the Bank in 2007. Derivative instruments, embedded in those bonds, were separated and reported under derivative instruments caption (Note 4). After separation of embedded derivatives, securities acquired are valued at amortised cost using market yields of similar bonds by their maturity and credit risk at acquisition date, as no active market exists for those securities. Amortised cost of those securities as of 31 December 2008 was LTL 114,796 thousand (as of 31 December 2007 LTL 126,309 thousand).

The Group's and the Bank's fair value of held-to-maturity financial instruments amounted to LTL 232,829 thousand and LTL 134,632 thousand as of 31 December 2008, respectively (LTL 149,935 thousand and LTL 126,309 thousand as of 31 December 2007, respectively).

In 2008 the management decided to make impairment for held-to-maturity securities in amount of LTL 18,426 thousand. Valuation of held to maturity securities was made based on Moody's historical data and statistics of bonds default and recovery rates.

The Group's and the Bank's interest income earned on held-to-maturity securities in 2008 amounted to LTL 13,004 thousand and LTL 7,500 thousand, respectively (in 2007 - LTL 4,704 thousand and LTL 2,755 thousand, respectively).

8. Available-for-Sale Financial Assets

Available-for-sale financial assets include:

Group	*2008*		*2007*	
	Carrying value	*Nominal value*	*Carrying value*	*Nominal value*
Treasury bills and bonds of the Republic of Lithuania	-	-	969	968
Other government's bond	-	-	32,866	33,079
Available-for-sale financial assets	**-**	**-**	**33,835**	**34,047**

Bank	*2008*		*2008*	
	Carrying value	*Nominal value*	*Carrying value*	*Nominal value*
Other government's bond	-	-	32,865	32,111
Available-for-sale financial assets	**-**	**-**	**32,865**	**32,111**

9. Investment Property

Investment properties are stated at fair value, which has been determined based on valuation performed by independent appraisers as of 31 December 2008. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The revaluation of buildings was performed on the market value basis.

	Group		*Bank*	
	2008	*2007*	*2008*	*2007*
Opening balance as at 1 January	34,100	18,381	-	-
Additions	31,559	11,594	-	-
Sale	-	-	-	-
Net gain from a fair value adjustment	-	4,125	-	-
Closing balance as at 31 December	**65,659**	**34,100**	**-**	**-**

(LTL thousand)

10. Work in progress

Work in progress comprises the subsidiary companies of the Group – the developing real estate projects of UAB Vilniaus Kapitalo Vystymo Projektai in Lithuania and JSC Transport company Yarovit in Russia, in Saint Peterburg. The Group acquired JSC Transport company Yarovit in 2008 (Note 31).

11. Property and Equipment

The movements in property and equipment were as follows:

Group	*Buildings*	*Furniture and fixtures*	*Computers, office and other equipment*	*Vehicles*	*Construction in progress*	*Total*
Cost/revalued amounts*						
31 December 2007	**113,598**	**28,286**	**98,624**	**9,810**	**392**	**250,710**
Additions	32,575	5,749	10,295	1,215	1,534	51,368
Additions emerged with the acquisition of subsidiary companies	389	1,140	141	392	-	2,062
Disposals	(15)	(1,916)	(8,801)	(911)	-	(11,643)
31 December 2008	**146,547**	**33,259**	**100,259**	**10,506**	**1,926**	**292,497**
Accumulated depreciation and impairment						
31 December 2007	**31**	**7,072**	**36,582**	**3,793**	**-**	**47,478**
Depreciation charge	2,549	5,243	11,089	1,646	-	20,527
Foreign exchange movements	765	235	350	(97)	-	1,253
Disposals	-	(1,743)	(8,735)	(835)	-	(11,313)
31 December 2008	**3,345**	**10,807**	**39,286**	**4,507**	**-**	**57,945**
Net book value:						
31 December 2007	**113,567**	**21,214**	**62,042**	**6,017**	**392**	**203,232**
31 December 2008	**143,202**	**22,452**	**60,973**	**5,999**	**1,926**	**234,552**

Group	*Buildings*	*Furniture and fixtures*	*Computers, office and other equipment*	*Vehicles*	*Construction in progress*	*Total*
Cost/revalued amounts*						
31 December 2006	**58,031**	**17,259**	**85,532**	**8,300**	**10,381**	**179,503**
Additions	18,832	13,492	14,871	3,303	7,844	58,342
Revaluation	27,464	-	-	-	-	27,464
Disposals	(2,415)	(2,465)	(7,877)	(1,793)	(32)	(14,582)
Transfers	11,686	-	6,098	-	(17,801)	(17)
31 December 2007	**113,598**	**28,286**	**98,624**	**9,810**	**392**	**250,710**
Accumulated depreciation and impairment						
31 December 2006	**2,307**	**5,384**	**34,418**	**4,167**	**-**	**46,276**
Depreciation charge	1,567	3,625	10,125	1,360	-	16,677
Revaluation	(2,170)	-	-	-	-	(2,170)
Disposals	(1,673)	(1,937)	(7,961)	(1,734)	-	(13,305)
31 December 2007	**31**	**7,072**	**36,582**	**3,793**	**-**	**47,478**
Net book value:						
31 December 2006	**55,724**	**11,875**	**51,114**	**4,133**	**10,381**	**133,227**
31 December 2007	**113,567**	**21,214**	**62,042**	**6,017**	**392**	**203,232**

*Revalued amounts for buildings.

(LTL thousand)

11. Property and Equipment (Cont'd)

Bank	*Buildings*	*Furniture and fixtures*	*Computers, office and other equipment*	*Vehicles*	*Construction in progress*	*Total*
Cost/revalued amounts*						
31 December 2007	**59,528**	**4,514**	**71,348**	**7,789**	**392**	**143,571**
Additions	18,607	1,215	6,883	1,197	1,534	29,436
Disposals	-	(390)	(3,827)	(822)	-	(5,039)
31 December 2008	**78,135**	**5,339**	**74,404**	**8,164**	**1,926**	**167,968**
Accumulated depreciation and impairment						
31 December 2007	**-**	**1,817**	**31,678**	**4,186**	**-**	**37,681**
Depreciation charge	1,283	1,153	6,643	1,038	-	10,117
Disposals	-	(390)	(3,796)	(820)	-	(5,006)
31 December 2008	**1,283**	**2,580**	**34,525**	**4,404**	**-**	**42,792**
Net book value:						
31 December 2007	**59,528**	**2,697**	**39,670**	**3,603**	**392**	**105,890**
31 December 2008	**76,852**	**2,759**	**39,879**	**3,760**	**1,926**	**125,176**

Bank	*Buildings*	*Furniture and fixtures*	*Computers, office and other equipment*	*Vehicles*	*Construction in progress*	*Total*
Cost/revalued amounts*						
31 December 2006	**32,356**	**2,644**	**66,712**	**6,512**	**9,954**	**118,178**
Additions	1,532	2,140	3,591	1,428	7,844	16,535
Revaluation	14,611	-	-	-	-	14,611
Disposals	(230)	(270)	(5,053)	(151)	(32)	(5,736)
Transfers	11,259	-	6,098	-	(17,374)	(17)
31 December 2007	**59,528**	**4,514**	**71,348**	**7,789**	**392**	**143,571**
Accumulated depreciation and impairment						
31 December 2006	**1,549**	**2,000**	**30,421**	**3,540**	**-**	**37,510**
Depreciation charge	635	86	6,281	797	-	7,799
Revaluation	(2,170)	-	-	-	-	(2,170)
Disposals	(14)	(269)	(5,024)	(151)	-	(5,458)
31 December 2007	**-**	**1,817**	**31,678**	**4,186**	**-**	**37,681**
Net book value:						
31 December 2006	**30,807**	**644**	**36,291**	**2,972**	**9,954**	**80,668**
31 December 2007	**59,528**	**2,697**	**39,670**	**3,603**	**392**	**105,890**

*Revalued amounts for buildings.

Depreciation expenses were accounted for as operating expenses in the income statement.

On 31 December 2007 the Bank and the Group revalued its' buildings. The revaluation was performed by independent property appraisals. The revaluation of buildings was performed on the market value basis. If buildings of the Group and the Bank were carried at cost, carrying value of those assets would have been LTL 79,755 thousand and LTL 52,875 thousand as of 31 December 2008, respectively (LTL 46,759 thousand and LTL 35,098 thousand as of 31 December 2007, respectively). As of 31 December 2008 owner occupied buildings of the Group and the Bank are accounted for at the market value.

(LTL thousand)

12. Intangible Assets

The Group's movements in intangible assets were as follows:

Group	*Non-contractual customer relationships*	*Base deposits*	*Brand name*	*Licences and computer software*	*Other intangible assets*	*Total*
Cost						
31 December 2007	**2,133**	**8,268**	**4,271**	**15,650**	**1,182**	**31,504**
Additions	-	-	-	9,785	562	10,347
Additions emerged with the acquisition of subsidiary company (note 30)	883	-	-	263	-	1,146
Disposals	-	-	-	(778)	-	(778)
31 December 2008	**3,016**	**8,268**	**4,271**	**24,920**	**1,744**	**42,219**
Accumulated amortisation and impairment						
31 December 2007	**478**	**2,535**	**-**	**7,055**	**591**	**10,659**
Charge for the year	213	1,111	-	2,841	-	4,165
Foreign exchange movements	-	-	-	71	5	76
Disposals	-	-	-	(662)	-	(662)
31 December 2008	**691**	**3,646**	**-**	**9,305**	**596**	**14,238**
Net book value:						
31 December 2007	**1,655**	**5,733**	**4,271**	**8,595**	**591**	**20,845**
31 December 2008	**2,325**	**4,622**	**4,271**	**15,615**	**1,148**	**27,981**

Group	*Non-contractual customer relationships*	*Base deposits*	*Brand name*	*Licences and computer software*	*Other intangible assets*	*Total*
Cost						
31 December 2006	**2,133**	**8,005**	**4,271**	**11,539**	**1,182**	**27,130**
Additions	-	-	-	5,028	-	5,028
Disposals	-	263	-	(917)	-	(654)
31 December 2007	**2,133**	**8,268**	**4,271**	**15,650**	**1,182**	**31,504**
Accumulated amortisation and impairment						
31 December 2006	**265**	**1,424**	**-**	**5,660**	**591**	**7,940**
Charge for the year	213	1,111	-	2,242	-	3,566
Disposals	-	-	-	(847)	-	(847)
31 December 2007	**478**	**2,535**	**-**	**7,055**	**591**	**10,659**
Net book value:						
31 December 2006	**1,868**	**6,581**	**4,271**	**5,879**	**591**	**19,190**
31 December 2007	**1,655**	**5,733**	**4,271**	**8,595**	**591**	**20,845**

Latvijas Krājbanka brand name in the amount of LTL 4,271 thousand, acquired in 2005 with the acquisition with of 83.01% AS Latvijas Krājbanka through the business combination in 2005, is considered to have an indefinite life. It was assumed that branded net income of AS Latvijas Krājbanka include net interest and net commission income, while profit on securities trading and foreign exchange and other operating income was perceived as non-branded net income. Accordingly, Latvijas Krājbanka brand name was allocated to Latvia's geographical unit (net interest and net commission income as cash-generating units) and the cash flow projection for Latvia's geographical unit was used while assessing impairment of Krājbanka brand name.

(LTL thousand)

12. Intangible Assets (Cont'd)

The recoverable amount of Latvia's geographical unit was determined based on a value in use calculation. The cash flow projections based on the financial budgets for a four-year period were included in the calculation.

The calculation of value in use is most sensitive to the following key assumptions:

- *Discount rates.* In determining appropriate discount rates for cash-generating units, the regard was given to risk free rate (10 year Latvian Government bond yield) and market risk premium related to the assets tested for impairment. The calculated discount rate is equal to 26%;
- *Growth rate estimates.* The estimated growth of Latvia's geographical unit was assessed according the planned results, as a conservative approach. The growth rates are equal to 0.3% and 4% for the years 2009 and 2010, whereas the growth rates beyond the budgets (years 2011 and 2012) are equal to 3%.

The assessment of value in use of Latvia's geographical unit showed the carrying value of it to be lower than the recoverable amount. A reasonably possible change in a key assumptions on which management has based its determination of the unit's recoverable amount did not show the carrying amount to exceed its recoverable amount

The acquisition of non-contractual customer relationships is related to the acquisition of UAB Jūsų Investicijų Valdymas, UAB FMĮ Jūsų Tarpininkas and ASS LKB Life (Note 31).

The Bank's movements in intangible assets were as follows:

Bank	*Licences and computer software*	*Total*
Cost		
31 December 2007	**8,204**	**8,204**
Additions	6,787	6,787
Write-offs	(54)	(54)
31 December 2008	**14,937**	**14,937**
Accumulated amortisation and impairment		
31 December 2007	**4,597**	**4,597**
Charge for the year	1,396	1,396
Write-offs	(54)	(54)
31 December 2008	**5,939**	**5,939**
Net book value:		
31 December 2007	**3,607**	**3,607**
31 December 2008	**8,998**	**8,998**

Bank	*Licences and computer software*	*Total*
Cost		
31 December 2006	**6,487**	**6,487**
Additions	2,006	2,006
Write-offs	(289)	(289)
31 December 2007	**8,204**	**8,204**
Accumulated amortisation and impairment		
31 December 2006	**3,963**	**3,963**
Charge for the year	923	923
Write-offs	(289)	(289)
31 December 2007	**4,597**	**4,597**
Net book value:		
31 December 2006	**2,524**	**2,524**
31 December 2007	**3,607**	**3,607**

Amortisation expenses were accounted for as operating expenses in the income statement.

(LTL thousand)

13. Taxation

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Current income tax expense	12,219	19,412	5,279	13,952
Correction of prior year income tax	(1,278)	93	(1,278)	93
Change in deferred income tax	(2,430)	(510)	1,387	(414)
Income tax expenses	**8,511**	**18,995**	**5,388**	**13,631**
Components of deferred income tax				
Deferred income tax assets				
Revaluation of securities	-	52	-	-
Loss carry forward (on financial instruments)	1,184	2,558	860	2,012
Impairment of financial assets	2,194	1,540	-	-
Deferred administration fee	1,222	2,096	-	-
Loss carry forward (tax losses)	2,948	935	-	-
Other deferred tax asset items	1,380	654		-
Total deferred income tax assets	**8,928**	**7,835**	**860**	**2,012**
Less: valuation allowance	(2,194)	(3,106)	-	(712)
Deferred income tax assets, net	**6,734**	**4,729**	**860**	**1,300**
Deferred income tax liabilities				
Revaluation of property and equipment and investment properties	(14,221)	(12,248)	(6,251)	(4,886)
Investment incentive	(1,450)	(1,280)	(1,450)	(1,281)
Revaluation of derivative instruments	(473)	(294)	(329)	(293)
Capitalised VAT	(743)	-	(743)	-
Deferred commission expenses	(428)	(408)	-	-
Fair value step-ups of intangible assets	(1,421)	(1,673)	-	-
Total deferred income tax liabilities	**(18,736)**	**(15,903)**	**(8,773)**	**(6,460)**
Deferred income tax, net	**(12,002)**	**(11,174)**	**(7,913)**	**(5,160)**
Presented as:				
Deferred income tax asset	1,131	544	-	-
Deferred income tax liability	(13,133)	(11,718)	(7,913)	(5,160)
Deferred income tax, net	**(12,002)**	**(11,174)**	**(7,913)**	**(5,160)**
Deferred tax change, recognized				
(Expenses) income recorded through profit or loss	2,430	510	(1,387)	414
(Expenses) income recorded through equity	(3,258)	(2,689)	(1,366)	(2,403)
Net deferred tax change	**(828)**	**(2,179)**	**(2,753)**	**(1,989)**

The Group an the Bank have incurred taxable loss in previous periods, which can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and / or derivative financial instruments that can be carried forward for 5 consecutive years and offset against future taxable income.

The Bank has interest income from Russian Federation which was a subject of Russian Withholding tax and is paying withholding tax in Russia. However, as the received interest is not exceeding 25% of total income, the Bank can deduct this corporate income tax up to 1/5 of the profit. The Bank can deduct such Corporate tax when it receives certification which proves that the withholding tax has been paid in Russia. Due to this, significant corrections of prior year income tax appeared in 2008.

(LTL thousand)

13. Taxation (Cont'd)

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

	Group		*Bank*	
	2008	*2007*	*2008*	*2007*
Income tax calculated at a statutory 15% tax rate (18% in 2007)	4,778	16,544	4,102	15,364
Permanent differences	3,136	2,861	1,852	(1,351)
Effect of different tax rates in other countries	934	(931)	-	-
Prior year income tax correction	(1,278)	93	(1,278)	93
Change in taxation treatment of temporary differences	29	768	-	-
Change in valuation allowance	912	(340)	712	(475)
Total income tax	**8,511**	**18,995**	**5,388**	**13,631**

14. Allowances for Impairment and Provisions

The changes in allowances for impairment of interest earning assets carried at amortized cost were as follows:

	Group	*Bank*
31 December 2006	**34,695**	**20,279**
Charge (reversal) for loans	5,666	(8,155)
Write-offs for loans	(10,400)	(5,033)
Effect of changes in currency rates for loans	(17)	(3)
31 December 2007	**29,944**	**7,088**
Charge (reversal) for loans	49,533	18,637
Charge (reversal) for held to maturity financial bonds	18,426	18,426
Charge (reversal) for amounts due from credit institutions	2,586	2,586
Write-offs for loans	(4,882)	(678)
Effect of changes in currency rates for loans	(630)	-
31 December 2008	**94,977**	**46,059**

The allowances for impairment made for individually impaired financial assets of the Group at 31 December 2008 amounts to LTL 70,060 thousand, the Bank – LTL 30,431 thousand (in 2007 – LTL 19,852 thousand, LTL 4,822 thousand respectively). Collective impairment of the Group at 31 December 2008 amounts to LTL 24,917 thousand, the Bank – LTL 15,628 thousand (in 2007 – LTL 10,092 thousand, LTL 2,266 thousand respectively).

Below is presented reconciliation of impairment recorded to the income statement:

	Group		*Bank*	
	2008	*2007*	*2008*	*2007*
Charge (reversal)	70,545	5,666	39,649	(8,155)
Recoveries of previously written-off loans	(2,499)	(4,395)	(1,311)	(3,321)
As reported in income statement	**68,046**	**1,271**	**38,338**	**(11,476)**

(LTL thousand)

15. Other Assets and Other Liabilities

Other assets comprise:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Other assets				
Collaterals taken for realization	32,070	-	-	-
Prepayments	14,899	15,915	5,910	3,724
Various receivables	11,090	4,510	500	252
Supplies for operations	16,880	4,274	16,344	3,829
Transit accounts	5,235	7,136	4,883	7,136
Other assets	9,840	4,860	173	847
Total other assets	**90,014**	**36,695**	**27,810**	**15,788**

In 2009, AS Latvijas Krajbanka continues the activities related to the realisation of the loan collaterals. Given the overall current economic situation and the stagnant real estate market, the AS Latvijas Krajbanka has commenced and will continue to exercise a flexible approach to realisation of the loan collaterals.

Specific activities are related to the development and realisation of the collaterals by assessing the necessity to perform additional works which would add value to the respective real estate and increase its competitiveness in the real estate market, as well as the inclusion of the collateral in the business and the realisation of the respective collateral as an operating business, for example, the resumption of the operations and cash flows of collaterals marketing the respective collateral not only as a real estate but also as an operating business.

Other liabilities comprise

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Other liabilities				
Various payables	21,645	25,247	-	-
Accrued expenses	14,406	17,390	6,360	8,555
Transit accounts	12,199	12,886	12,035	12,373
Advances received	4,549	4,810	4,392	4,396
Deferred income	2,843	1,152	2,027	245
Other	8,504	24,665	4,458	19,373
Total other liabilities	**64,146**	**86,150**	**29,272**	**44,942**

Transit accounts represent funds that were disbursed from / to the correspondent account of the Group and the Bank, but that have not been applied to customers' accounts as of the reporting date.

(LTL thousand)

16. Subordinated loans

As of 14 September 2005 the Bank received a subordinated loan from its controlling shareholder, who is a private individual. The contractual subordinated loan amounts to LTL 69,056 thousand (EUR 20,000 thousand) with term of 15 years. This loan bears EUR LIBOR 12-month plus 1.8% margin. As of 31 December 2008 the outstanding amount of subordinated loan, including accrued interest, amounted to LTL 70,293 thousand (in 2007 – LTL 70,198 thousand). The loan agreement foresees the possibility of conversion to the shares of the Bank, but terms for conversion are not outlined. The conditions for conversion will be agreed by the parties in good faith.

As of 31 December 2008, the Bank's subsidiary's AS Latvijas Krājbanka outstanding subordinated loan from Convers Group Management Company amounted to LTL 18,894 thousand (LTL 19,163 thousand in 2007). The debt terms include an interest rate of 7% and a term of seven years, maturing on 8 November 2012. According to the agreement on subordinated debt with Convers Group Management Company dated on 8 November 2005, the borrower has the right to receive the invested funds at the end of the loan agreement or if the bank is liquidated. The borrower has rights to apply for conversion of the subordinated loan into shares according to the Agreement and legislation. Subordinated loan agreement foresees fixed conversion price of LVL 1.15 per share. On 16 October 2008 the parties agreed to prolong repayment term until 10 years and changed interest rate to 10% per annum starting from 17 October 2008.

As of 31 December 2008 the Bank's subsidiary's AS Latvijas Krājbanka had two subordinated loans from Akademgrupp. The outstanding subordinated loans were LTL 25,229 thousand (LTL 25,018 thousand in 2007). First loan agreement was signed on 27 December 2006 for the amount of USD 7,1 million with an interest rate of 8.6 % per year and the repayment term of seven years. On 16 October 2008 the parties agreed to prolong repayment term until 9 years. Second loan agreement was signed on 23 August 2007 for the amount of USD 3,3 million with an interest rate of 9.3 % per year and the repayment term of six years. On 16 October 2008 the parties agreed to prolong repayment term until 9 years. According to the provisions under the above-mentioned contracts, the lender has the right to demand early repayment of the loan only upon liquidation of the Bank, and the lender's claim will be settled following settlement of the claims of all other creditors but before settlement of the claims by the Bank shareholders.

17. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	Group		*Bank*	
	2008	***2007***	***2008***	***2007***
Time deposits and loans	245,415	218,945	474,683	82,519
Repurchase agreements	29,885	259,909	29,885	259,909
Current accounts	43,389	40,458	109,440	40,168
Amounts due to credit institutions	**318,689**	**519,312**	**614,008**	**382,596**

The fair value of securities placed as collateral on repurchase agreements was LTL 31,295 thousands (in 2007 – LTL 273,353 thousand).

18. Amounts Due to Customers

The amounts due to customers include the following:

	Group		*Bank*	
	2008	***2007***	***2008***	***2007***
Time deposits	4,229,287	3,921,403	3,026,256	2,791,466
Current accounts	2,516,722	3,095,918	874,703	1,325,574
Amounts due to customers	**6,746,009**	**7,017,321**	**3,900,959**	**4,117,040**

Amounts due to customers include accounts with the following types of customers:

	Group		*Bank*	
	2008	***2007***	***2008***	***2007***
Individuals	4,195,275	3,694,349	2,820,123	2,381,234
Corporate clients	2,173,953	2,973,358	999,588	1,561,108
Government departments and state owned enterprises	353,576	344,795	69,778	162,972
Other	23,205	4,819	11,470	11,726
Amounts due to customers	**6,746,009**	**7,017,321**	**3,900,959**	**4,117,040**

(LTL thousand)

18. Amounts due to customers (cont'd)

An analysis of customer accounts by sector is as follows:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Individuals	4,195,275	3,694,349	2,820,123	2,381,234
Trade	475,697	377,656	475,697	377,656
Services	243,130	1,280,444	243,130	455,424
Insurance	62,681	26,395	31,922	17,330
Transport and communication	55,242	85,943	55,242	85,943
Constructions	50,795	43,482	50,795	43,482
Real estate	49,310	110,393	49,310	112,044
Public management	41,931	109,851	25,740	109,851
Manufacturing	25,611	23,564	25,611	23,647
Construction of equipment	18,607	14,248	18,607	14,248
Agriculture	11,744	15,656	11,744	15,656
Fuel	10,104	17,611	10,104	17,611
Security brokers	7,878	5,580	14,683	17,979
Metallurgy	708	167	708	167
Chemicals	-	2,325	-	2,242
Other	1,497,296	1,209,657	67,543	442,526
Amounts due to customers	**6,746,009**	**7,017,321**	**3,900,959**	**4,117,040**

As of 31 December 2008 the Group had deposits from one customer amounting to LTL 588 million (as of 31 December 2007 - LTL 1,179 million).

As of 31 December 2008 the Bank had deposits from one customer amounting to LTL 74 million (as of 31 December 2007 - LTL 354 million).

19. Debt Securities Issued

As of 31 December 2008 the Group had the debt securities issued with the amortised cost in amount of LTL 593,913 thousand:

- On 21 May 2007 the Bank issued debt securities with the aggregate par value of EUR 175,000 thousand (LTL 604,240 thousand), coupon rate - 7% and maturing on 21 May 2010. During 2008 year, Bank redeemed EUR 19,372 thousand debt securities and the residual aggregate value of them amounts to EUR 155,628 thousand as of 31 December 2008. The amortised cost of debt securities amounts to LTL 557,633 thousand as of 31 December 2008.
- On 2008 the Bank issued two emissions equity linked notes and two emissions fixed interest bonds. The amortised cost of equity linked notes and fixed interest bonds amounts to LTL 16,575 thousand as of 31 December 2008.
- On 26 January 2007 AS Latvijas Krājbanka issued debt securities with the aggregate par value of EUR 5,000 thousand (LTL 17,264 thousand), the interest rate is 6 month EUR LIBOR + 1% and maturing on 31 January 2010. The amortised cost of debt securities amounts to LTL 17,615 thousand as of 31 December 2008.

As of 31 December 2007 the Group had the coupon debt securities issued with the amortised cost in amount of LTL 639,920 thousand.

(LTL thousand)

20. Equity

Movements in shares outstanding, issued and fully paid were as follows (excluding preference shares):

Bank

Calculation of weighted average for 2008	Number of shares	Par value	Issued/ 365 (days)	Weighted average of ordinary shares
Ordinary shares issued as of 31 December 2007 without emission as of 28 October 2008	**233,354,240**	**1**	**365/365**	**233,354,240**
New emission of ordinary shares on 28 October 2008**	158,568,327	1	365/365	158,568,327
Shares issued as of 31 December 2008	**391,922,567**	**1**	**365/365**	**391,922,567**

Bank

Calculation of weighted average for 2007	Number of shares	Par value	Issued/ 365 (days)	Weighted average of ordinary shares
Ordinary shares issued as of 31 December 2006*	**137,267,200**	**1**	**365/365**	**137,267,200**
New emission of ordinary shares on 15 January 2007	54,906,880	1	350/365	52,650,433
New emission of ordinary shares on 16 August 2007	41,180,160	1	137/365	15,456,663
Ordinary shares issued as of 31 December 2007	**233,354,240**	1	**365/365**	**205,374,296**
Recalculated shares for EPS purposes	**391,922,567**	**1**	**365/365**	**344,929,757**

* *In January 2007 the par value of ordinary shares was decreased from LTL 10 to LTL 1 by increasing the number of shares accordingly. The number of ordinary shares in the table above is shown after the influence of share split.*

** *New issue of ordinary shares was performed on 28 October 2008 using share surplus and retained earnings, thus 365 days were used for calculation of weighted average of ordinary shares as of 31 December 2008 and comparative numbers of the year 2007 were recalculated accordingly.*

The preference shares (nominal value – LTL 20,000 thousand) are without voting right and with non-cumulative 10% dividend, therefore excluded from the calculations of the weighted average.

As of 31 December 2008 and 2007 all shares were fully paid.

Nature and purpose of other reserves

Revaluation reserve for property and equipment

The revaluation reserve for property and equipment is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Revaluation reserve for financial assets

In revaluation reserve for financial assets changes in fair value of available-for-sale financial assets are accounted for.

Reserve of foreign currency translation

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

Legal reserve

The legal reserve is created as required by the regulations of the Republic of Lithuania and Republic of Latvia, in respect of general risks, including future losses and other unforeseen risks or contingencies. The fund has been created in accordance with the Group's charter, which provides for the creation of a fund for these purposes of not less than 10% of the Group's share capital reported in accordance with Lithuanian Legislation.

(LTL thousand)

20. Equity (cont'd)

Reserve capital

Reserve capital can be either offset against future losses or used for a share capital increase but cannot be distributed in any other manner.

Other general reserves

Other general reserves represent funds which can be freely distributed to the equity holders of the parent and do not have any specific designation.

21. Earnings per Share

	Group	
	2008	*2007*
Net profit attributable to Bank shareholders	23,286	67,372
Dividends attributable to preferred shares	(2,000)	(2,000)
Profit attributable to ordinary shares	21,286	65,372
Weighted average number of ordinary shares as of 31 December (thousand)*	391,923	344,930
Basic and diluted earnings per ordinary share (LTL)	**0.05**	**0.19**

** In January 2007 the par value of ordinary shares was decreased from LTL 10 to LTL 1 by increasing the number of shares accordingly. The number of ordinary shares in the table above is shown after the influence of share split. New issue of ordinary shares was performed on 28 October 2008 using share surplus and retained earnings. The number of ordinary shares in the table above is shown after the influence of new issue of shares.*

On the 17 November 2006 the Bank has registered a new emission of LTL 20,000 thousand nominal amount preference shares. Preference shares are without voting rights and with 10% non cumulative dividends. Once the dividends are declared, the first LTL 2,000 thousand is to be paid for these shares. As dividends were declared in 2008 and 2007, the preferred dividends were deducted from profit attributable to ordinary shares in 2008 and 2007.

Management has prepared the project profit appropriation, which excludes dividends for 2008 (Note 37).

The Bank and the Group have been granted subordinated loans that can be converted into shares, but because neither the conversion date nor conversion terms are reliably set, diluted earnings can not be calculated and therefore corresponds to basic earnings per share. The conditions for conversion will be agreed by the parties in good faith.

22. Dividends per Share

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Dividends paid on preference shares	2,000	2,000	2,000	2,000
Dividends paid on ordinary shares	28,003	23,061	28,003	23,061
Total dividends paid	**30,003**	**25,061**	**30,003**	**25,061**
Number of preference shares (thousand)	2,000	2,000	2,000	2,000
Weighted average number of ordinary shares as of 31 December (thousand)*	391,923	344,930	391,923	344,930
Dividends per preference share (LTL)	**1.00**	**1.00**	**1.00**	**1.00**
Dividends per ordinary share (LTL)	**0.07**	**0.07**	**0.07**	**0.07**

(LTL thousand)

23. Commitments and Contingencies

Legal

In the ordinary course of business, the Group and the Bank are subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group and the Bank.

Financial commitments and contingencies

As of 31 December, the Group's and the Bank's financial commitments and contingencies comprised the following:

	Group		*Bank*	
	2008	***2007***	***2008***	***2007***
Credit related commitments				
Credit commitments	346,885	511,222	255,731	450,923
Issued guarantees	190,705	47,694	146,858	38,674
Total credit related commitments	**537,590**	**558,916**	**402,589**	**489,597**
Less - Provisions	-	-	-	-
Credit related commitments, net	**537,590**	**558,916**	**402,589**	**489,597**

24. Interest income and expenses

Net interest income:

	Group		*Bank*	
	2008	***2007***	***2008***	***2007***
On placements with central bank	8,832	5,892	3,402	2,623
On loans and placements with credit institutions	64,484	73,760	38,967	41,054
On loans to customers	457,919	292,940	270,381	146,230
On financial assets at fair value through profit or loss	27,306	17,922	20,269	14,385
On held to maturity investments and available for sale financial assets	13,004	35,106	7,546	29,659
Interest income	**571,545**	**425,620**	**340,565**	**233,951**
On liabilities to and placements from credit institutions	12,866	13,474	5,703	6,606
On subordinated loans	8,244	7,158	4,669	4,015
On deposits and other repayable amounts	262,585	161,760	168,461	93,226
Deposit insurance expenses	22,233	18,542	17,679	14,539
On debt securities issued	45,268	28,284	44,391	27,617
Interest expenses	**351,196**	**229,218**	**240,903**	**146,003**
Net interest income	**220,349**	**196,402**	**99,662**	**87,948**

(LTL thousand)

25. Net Fee and Commission Income

Net fee and commission income comprises:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Payment card servicing	40,516	36,666	22,595	21,189
Settlement operations	24,387	21,439	16,914	12,990
Commissions for other payments	11,711	11,858	11,556	11,858
Cash collection	10,136	9,615	8,113	7,377
Securities' operations	5,719	3,530	1,644	651
Collection of payments	5,141	4,871	9,659	10,762
Currency exchange operations	4,469	3,622	4,054	3,334
Guarantees and letters of credit	3,150	104	1,834	91
Income from rent	975	659	353	220
Other income	11,779	10,787	5,093	3,696
Fee and commission income	**117,983**	**103,151**	**81,815**	**72,168**
Payment card servicing	9,594	8,691	3,116	3,099
Securities' operations	3,846	1,691	2,506	1,606
Settlement operations	2,645	1,745	2,645	1,745
Cash collection	1,848	1,848	1,588	1,848
Currency exchange operations	429	262	427	262
Other expenses	7,709	9,892	521	350
Fee and commission expense	**26,071**	**24,129**	**10,803**	**8,910**
Net fee and commission income	**91,912**	**79,022**	**71,012**	**63,258**

26. Net Gains and Losses from Transactions with Financial assets designated at fair value through profit or loss

The gains less losses from transactions with securities comprise revaluation result for securities, designated as at fair value through profit or loss upon their initial recognition (Note 4).

27. Net Gains and Losses from Transactions with Financial Instruments classified as held for trading

Net result from transactions with financial classified as held for trading:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Net Gains and Losses from transactions with securities	(9,644)	64	(9,644)	47
Net Gains and Losses from derivative instruments	(20,512)	(739)	(13,504)	(3,113)
Net Gains and Losses from transactions with financial instruments at fair value through profit or loss	**(30,156)**	**(675)**	**(23,148)**	**(3,066)**

28. Net Gains and Losses from Transactions in Foreign Currencies

Net result from transactions in foreign currencies comprises:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Profit from foreign currency exchange	46,685	46,645	21,021	24,101
Profit, (Loss) from revaluation of foreign currency positions	27,533	(17,028)	14,671	(13,497)
Net foreign exchange gain	**74,218**	**29,617**	**35,692**	**10,604**

Foreign currency transactions principally consist of commissions on currency sales with customers.

(LTL thousand)

29. Other Income

Other income comprises:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Managing closed accounts	4,124	983	4,124	983
Income from sale of assets	882	2,033	18	219
Change in fair value of investment property	-	4,125	-	-
Other income	6,569	1,175	372	629
Other income	**11,575**	**8,316**	**4,514**	**1,831**

30. Salaries, Benefits and Other Operating Expenses

Salaries and benefits, and other operating expenses comprise:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Salaries and benefits	107,381	84,030	54,573	42,395
Social security costs	27,797	22,186	15,707	12,721
Salaries and benefits	**135,178**	**106,216**	**70,280**	**55,116**
Rent	20,899	14,867	9,113	5,770
Repair and maintenance of property and equipment	14,155	12,760	8,257	7,995
Marketing, advertising and representation	13,737	11,021	8,004	6,051
Taxes, other then income tax	13,567	7,593	12,542	6,733
Communications	11,608	9,681	5,758	5,065
Legal and other consultancy	10,225	3,364	4,587	919
Charity	5,124	2,386	2,997	1,095
Security	2,987	3,000	1,510	1,179
Data processing	2,878	2,197	2,190	1,753
Business travel and other related expenses	1,625	1,992	691	744
Representation expenses	1,619	2,114	1,175	1,717
Stationery	1,254	1,175	536	478
Loss on disposal of property and equipment	1,129	506	7	72
Personnel training	510	473	294	301
Other	23,781	15,656	4,356	4,079
Other operating expenses	**125,098**	**88,785**	**62,017**	**43,951**

(LTL thousand)

31. Business Combinations

Acquisition in 2008

AAS LKB Life

In 2008, the Group company AS Latvijas Krājbanka bought 99,79% of AAS LKB Life, by acquiring 2,511,895 shares for the amount of LTL 13,264 thousand. At the date of the transaction, the fair value of the net assets acquired equalled the total purchase price. At the acquisition date, the fair value of the assets and liabilities of AAS LKB Life can be specifies as follows:

	Fair value at the acquisition date	*Carrying value at the acquisition date*
Balances due from credit institutions	13,836	13,836
Financial assets held for trading	1,515	1,515
Available-for-sale financial assets	5	5
Other assets	352	352
Intangible assets (Note 12)	562	-
Total assets	**16,270**	**15,708**
Liabilities	**(2,981)**	**(2,981)**
Net assets	**13,289**	**12,727**
Minority interest (24,14%)	(3,208)	
Total net assets acquired by the Group	10,081	
Group's effective part paid of acquisition	**10,081**	

If the combination had taken place at the beginning of the year, the total net operating loss from continuing operations of the Group would have been LTL 215 thousand.

AS Center Credit

In 2008 the Group company AS Latvijas Krājbanka bought 51% of AS Center Credit, by acquiring 75,556 shares for the amount of LTL 2,742 thousand (561 thousand lats). At the date of the transaction, the fair value of the net assets acquired equalled the total purchase price. At the acquisition date, the fair value of the assets and liabilities of AS Center Credit can be specifies as follows:

	Fair value at the acquisition date	*Carrying value at the acquisition date*
Cash	601	601
Due from credit institutions	9,740	9,740
Loans and advances to customers	29,514	29,514
Intangible assets (Note 12)	206	279
Fixed assets (Note 11)	2,062	2,297
Other assets	890	655
Total assets	**43,013**	**43,086**
Due to credit institutions	(33,350)	(33,350)
Other liabilities	(5,742)	(5,742)
Net assets	**3,921**	**3,994**
Minority interest (61,23%)	(2,401)	
Total net assets acquired by the Group	1,520	
Group's effective part paid of acquisition	**1,520**	

If the combination had taken place at the beginning of the year, the total net operating loss from continuing operations of the Group would have been LTL 4,125 thousand .

(LTL thousand)

31. Business Combinations (Cont'd)

AP Anlage & privatbank AG

In 2008 the Group company AS Latvijas Krājbanka concluded the contract with AS Parex Banka for the purchase of 100% of AP Anlage & privatbank AG shares. The AP Anlage & Privatbank AG is registered in Switzerland and is focused on individual client service, asset management and investment consultation provision. AS Latvijas Krājbanka and AS Parex Banka have agreed to prolong the purchase transaction of AP Anlage & Privatbank AG shares until 24 April 2009. The decision is based on the situation and general tendencies on the world's financial market.

JSC Imaco Trade Invest

On 21 March 2008 the Group company UAB Snoro Turto Valdymas bought 99.98% of JSC Imaco Trade Invest (subsequently name was changed to JSC Snoras Capital Market Limited), acquiring 9,998 shares for the total amount of LTL 1,046 thousand (RUB 11,187 thousand). The company's principal activity is fund management in Russia.

For the purpose of purchase price allocation, the values of identifiable assets, liabilities and contingent liabilities based on carrying amounts of JSC Imaco Trade Invest as at the date of acquisition were:

	Fair value at the acquisition date	***Carrying value at the acquisition date***
Current assets	926	926
Intangible assets (Note 12)	378	-
Other non-current assets	208	479
	1,512	1,405
Current liabilities	(466)	(466)
Non-current liabilities	-	-
Net assets	**1,046**	**939**
Consideration paid by the Group	**1,046**	**-**

From the date of the combination, the amounts contributed by JSC Imaco Trade Invest to the net profit of the Group were not significant. If the combination had taken place at the beginning of the year, the total net operating result from continuing operations of the group would have been LTL 0 thousand.

JSC Transport company Yarovit

On 19 June 2008 the Group company UAB Snoro Turto Valdymas bought 100% of JSC Transport company Yarovit ascquiring 1,000 shares for the total amount of LTL 6,215 thousand (EUR 1,800 thousand), thus becoming the only holder of the company's shares. The company's principal activity is real estate development.

For the purpose of purchase price allocation, the values of identifiable assets, liabilities and contingent liabilities based on carrying amounts of JSC Transport company Yarovit as at the date of acquisition were:

	Fair value at the acquisition date	***Carrying value at the acquisition date***
Current assets	10,105	10,105
Non-current assets (Note 9)	65,677	64,602
	75,782	74,707
Current liabilities	5	5
Non-current liabilities	69,562	69,562
	69,567	69,567
Group's share of the fair value of net assets	**6,215**	**5,140**
Consideration paid by the Group	**6,215**	**-**

(LTL thousand)

31. Business Combinations (Cont'd)

From the date of the combination, the amounts contributed by JSC Transport company Yarovit to the net profit of the Group were not significant. If the combination had taken place at the beginning of the year, the total net operating loss from continuing operations of the group would have been LTL 698 thousand.

UAB Jūsų tarpininko investicijų valdymas

On 26 August 2008 the Group company UAB Snoro Turto Valdymas bought 66,66% of UAB JT Investicijų Valdymas acquiring 156,000 shares of new emission for the total amount of LTL 1,560 thousand.

For the purpose of purchase price allocation, the values of identifiable assets, liabilities and contingent liabilities based on carrying amounts of UAB JT Investicijų Valdymas as at the date of acquisition were:

	Fair value at the acquisition date	*Carrying value at the acquisition date*
Current assets	1,733	1,733
Non-current assets	557	557
	2,290	2,290
Current liabilities	-	-
Non-current liabilities	878	878
	878	878
Net assets	**1,412**	**1,412**
Minority interest (33,34%)	(471)	
Total net assets acquired by the Group	941	
Group's effective part paid of acquisition	**941**	

From the date of the combination, the amounts contributed by UAB JT Investicijų Valdymas to the net profit of the Group were not significant. If the combination had taken place at the beginning of the year, the total net operating loss from continuing operations of the group would have been LTL 807 thousand.

UAB FMĮ Jūsų Tarpininkas

On 26 August 2008 the Group company UAB Snoro Turto Valdymas bought 66% of UAB FMĮ Jūsų Tarpininkas acquiring 528,000 shares for the total amount of LTL 476 thousand and on 15 December 2008 – the 44 % of UAB FMĮ Jūsų Tarpininkas shares (27,200) for the total amount of LTL 246 thousand, thus becoming the only holder of the company's shares.

For the purpose of purchase price allocation, the values of identifiable assets, liabilities and contingent liabilities based on carrying amounts of UAB FMĮ Jūsų Tarpininkas as at the date of acquisition were:

	Recognised on acquisition	**Carrying value**
Current assets	431	431
Non-current assets	591	591
	1,022	1,022
Current liabilities	-	-
Non-current liabilities	546	546
	546	546
Group's share of the fair value of net assets	**476**	**476**
Consideration paid by the Group	**476**	**-**

From the date of the combination, the amounts contributed by UAB FMĮ Jūsų Tarpininkas to the net profit of the Group were not significant. If the combination had taken place at the beginning of the year, the total net operating loss from continuing operations of the group would have been LTL 789 thousand.

(LTL thousand)

31. Business Combinations (Cont'd)

Acquisition in 2007

On 1 July 2007 the AS Latvijas Krājbanka bought 100% of AS Pirmais Atklātais Pensiju Fonds (JSC First Open Pension Funds), acquiring 29,200 shares for the total amount of LTL 159 thousand (LVL 32 thousand), thus becoming the only holder of the company's shares.

Fair value of AS Ieguldījumu Sabiedrība Pirmais Atklātais Pensiju Fonds assets, liabilities and contingent liabilities on the acquisition date were as follows:

	Recognised on acquisition	Carrying value
Balances due from credit institutions	149	149
Other assets	15	25
Total	**164**	**174**
Liabilities	**5**	**5**
Group's share of the fair value of net assets	**159**	**169**
Consideration paid by the Group	**159**	**-**

AS Pirmais Atklātais Pensiju Fonds turnover and net profit for the time period from 1 July 2007 up to the 31 December 2007 comprised LTL 45 thousand and LTL 40 thousand, respectively. The net cash inflow from acquisition was not significant. If the combination had taken place at the beginning of the year, the revenues and the profit of the Group would not have been materially different.

32. Segment Reporting

For the purposes of this analysis, the Group's activities were divided into three main geographical segments: Lithuania (the Bank and its subsidiaries in Lithuania), Latvia (subsidiaries in Latvia – AS Latvijas Krājbanka and its subsidiaries in Latvia) and Russia (subsidiaries in Russia). The type of products and services included in each reported segment are the same. Transactions between the geographical segments are generally made on commercial terms and conditions. General corporate overheads were not allocated to the geographical segments.

	Lithuania		Latvia		Russia		Eliminations		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Total revenue from external customers	472,834	347,855	289,915	222,555	11,494	-	(12,109)	(8,776)	762,134	561,634
Revenue from segments	10,764	8,350	1,345	426	-	-	(12,109)	(8,776)	-	-
Total revenue	**483,598**	**356,205**	**291,260**	**222,981**	**11,494**	**-**	**(24,218)**	**(17,552)**	**762,134**	**561,634**
Segment results	**28,323**	**63,460**	**12,074**	**28,452**	**(8,544)**	**-**	**-**	**-**	**31,853**	**91,912**
Profit before tax									**31,853**	**91,912**
Income tax expense									(8,511)	(18,995)
Profit for the year									**23,342**	**72,917**
Segment assets*	5,426,475	5,660,416	3,340,840	3,339,432	95,428	-	(412,158)	(3,408)	8,450,585	8,996,440
Unallocated assets									1,131	544
Total assets									**8,451,716**	**8,996,984**
Segment liabilities*	4,808,114	5,293,633	3,128,712	3,109,736	96,735	-	(181,581)	(22,088)	7,851,980	8,381,281
Unallocated liabilities									16,961	20,208
Total liabilities									**7,868,941**	**8,401,489**
Capital expenditure (including intangibles, excluding goodwill)	36,480	18,471	26,381	43,663	-	-	-	-	62,861	62,134
Depreciation and amortisation	11,765	9,414	12,504	10,829	-	-	-	-	24,692	20,243
Change in impairment	43,176	(3,708)	24,870	4,979	-	-	-	-	68,046	1,271
Number of employees at the end of the period	1,387	1,214	1,125	897	2	-	-	-	2,514	2,111

** Segment assets and liabilities are presented according to the companies' location.*

(LTL thousand)

32. Segment Reporting (Cont'd)

The revenues according to customers' location can be specified as follows:

	2008	*2007*
Lithuanian customers	327,737	244,957
Latvian customers	217,886	192,884
Other	216,511	123,793
Total revenue	**762,134**	**561,634**

Business segments are not applicable to the Group.

33. Financial Risk Management

Management of risk is fundamental to the banking business and is an essential element of the Group's and Bank's operations. The main financial risks inherent to the Group's and the Bank's operations are those related to credit, liquidity and changes in interest and foreign exchange rates. A summary description of the Group's and Bank's risk management policies in relation to those risks follows.

Credit risk

The Group and the Bank bear an exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group or the Bank by failing to fulfill an obligation on time. The main principle of the credit policy is the assessment of creditworthiness of every counterparty to receive funding from the bank.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate. The lending is provided according to the Lending policy and Credit risk management policy. The key principles of the latter state that risk-return trade-off shall be properly evaluated; in case of large transaction creditworthiness, reliability and nature of the transaction shall be known. In measuring credit risk of individual customer the Bank applies internal ten grade rating system. In measuring joint portfolio credit risk scoring is applied.

The Group's and the Bank's Credit risk management policy sets lending limits regarding single exposure, related exposures and economic activities exposures. The key approach is that credit risk concentration in one industry segment shall not exceed 15 percent of the total credit portfolio value. The policy also places limits on the credit risk exposure to certain geographical segments.

Credit portfolio is monitored daily and actual exposure against limits is identified. Credit portfolio risk exposure is measured for the total credit portfolio and separately for the groups with the similar characteristics: loans to individuals, mortgages, credit cards limits, and loans to corporate entities.

The Group and the Bank take an exposure on the credit risk of interbank deals, setting limits to such deals and amounts held in correspondent accounts. The limit to the amount held in correspondent accounts is set according the correspondent bank credit ratings and other reliability parameters.

Debt securities of banking portfolio are subject to individual risk limits and credit ratings.

(LTL thousand)

33. Financial Risk Management (Cont'd)

Maximum exposure to credit risk

The maximum exposure to credit risk of different financial instrument groups without taking in account the value of credit risk decreasing financial instruments is set out below:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Cash equivalents	2,142,202	2,876,301	1,426,220	1,451,142
Financial assets at fair value through profit or loss	140,985	810,408	91,129	705,715
Amounts due from credit institutions	227,827	438,360	181,537	387,828
Available-for-sale financial assets	-	33,835	-	32,865
Held-to-maturity financial assets	261,660	149,999	158,146	126,309
Loans to customers, net	4,953,299	4,086,816	3,425,752	2,648,726
Total	**7,725,973**	**8,395,719**	**5,282,784**	**5,352,585**
Contingent liabilities	346,885	511,222	255,731	450,923
Financial commitments	190,705	47,694	146,858	38,674
Total	**537,590**	**558,916**	**402,589**	**489,597**
Maximum credit exposure	**8,263,563**	**8,954,635**	**5,685,373**	**5,842,182**

The maximum credit risk exposure to one client or counterparty as of 31 December 2008 in the Group was LTL 137,931 thousand (as of 31 December 2007 – LTL 71,065 thousand), in the Bank – LTL 86,216 (as of 31 December 2007 – LTL 71,065 thousand).

Maximum exposure to credit risk by industry

Credit risk exposure by industry is set out below:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Banking (including central banks)	2,617,537	3,628,195	1,829,501	2,113,543
Individuals	2,119,802	2,181,537	1,180,512	1,192,098
Real estate	783,693	588,753	535,631	373,827
Government and municipalities	147,787	575,168	83,435	521,852
Trading	323,879	282,857	223,791	208,067
Manufacturing	460,631	255,565	312,640	192,090
Financial services	220,841	221,098	632,071	447,071
Services	256,810	218,078	201,142	162,409
Transport	313,037	203,286	170,488	101,958
Constructions	260,726	198,208	189,146	160,487
Agriculture and food processing	120,868	106,425	82,009	66,199
Electricity	25,213	32,370	20,714	25,099
Fuel, gas and chemical	10,580	3,473	-	-
Other	602,159	459,622	224,293	277,482
Total	**8,263,563**	**8,954,635**	**5,685,373**	**5,842,182**

(LTL thousand)

33. Financial Risk Management (Cont'd)

Maximum exposure to credit risk by countries

Credit risk exposure by countries is set out below:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Lithuania	2,961,078	2,953,065	3,425,416	3,043,855
Latvia	2,072,361	1,981,967	100,713	58,348
OECD	1,671,862	2,845,252	1,177,632	1,724,695
Other countries	1,558,262	1,174,351	981,612	1,015,284
Total	**8,263,563**	**8,954,635**	**5,685,373**	**5,842,182**

Credit quality per class of financial assets

Credit quality per class of financial assets are outlined below:

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Neither past due nor impaired	7,014,263	8,557,535	4,755,548	5,703,615
Past due not impaired	1,127,265	355,114	829,531	129,371
Individually impaired	122,035	41,986	100,294	9,196
Total	**8,263,563**	**8,954,635**	**5,685,373**	**5,842,182**

The fair value of collateral that the Group holds relating to financial assets individually determined to be impaired at 31 December 2008 amounts to LTL 152,817 thousand, the Bank – LTL 132,706 thousand (in 2007 – LTL 75,151 thousand, LTL 18,710 thousand respectively). The main collateral type - property.

The impairment made for individually impaired financial assets at 31 December 2008 amounts to LTL 70,060 thousand, the Bank – LTL 30,431 thousand (in 2007 – LTL 19,852 thousand and LTL 4,822 thousand respectively). Gross amount of financial assets, individually determined to be impaired, before deducting any individually assesses impairment allowance at 31 December 2008 amounts to LTL 192,095 thousand, the Bank – LTL 130,725 thousand (in 2007 – LTL 61,838 thousand and LTL 14,018 thousand respectively).

Group	***Neither past due nor impaired 2008***				
	High grade	Standard grade	Sub-standard grade	Without ratings	**Total**
Lending activities:					
Corporate and private	-	4,194,967	-	-	4,194,967
Financial institutions	1,105,260	605,935	-	730,340	2,441,535
Investment activities:					
Bonds	298,746	25,158	-	35,824	359,728
Derivatives	11,788	1,735	-	4,510	18,033
Total	**1,415,794**	**4,827,795**	**-**	**770,674**	**7,014,263**

Group	***Neither past due nor impaired 2007***				
	High grade	Standard grade	Sub-standard grade	Without ratings	**Total**
Lending activities:					
Corporate and private	-	4,118,289	-	-	4,118,289
Financial institutions	2,592,847	351,549	298,644	200,521	3,443,561
Investment activities:					
Bonds	909,887	44,581	55	19,504	974,027
Derivatives	1,566	-	-	20,092	21,658
Total	**3,504,300**	**4,514,419**	**298,699**	**240,117**	**8,557,535**

(LTL thousand)

33. Financial Risk Management (Cont'd)

Bank	***Neither past due nor impaired 2008***				**Total**
	High grade	Standard grade	Sub-standard grade	Without ratings	
Lending activities:					
Corporate and private	-	2,418,449	-	-	2,418,449
Financial institutions	577,861	894,082	-	640,765	2,112,708
Investment activities:					
Bonds	221,655	-	-	-	221,655
Derivatives	-	-	-	2,736	2,736
Total	**799,516**	**3,312,531**	**-**	**643,501**	**4,755,548**

Bank	***Neither past due nor impaired 2007***				**Total**
	High grade	Standard grade	Sub-standard grade	Without ratings	
Lending activities:					
Corporate and private	-	2,652,061	-	-	2,652,061
Financial institutions	1,415,150	436,302	255,436	79,777	2,186,665
Investment activities:					
Bonds	830,541	15,699	-	-	846,240
Derivatives	-	-	-	18,649	18,649
Total	**2,245,691**	**3,104,062**	**255,436**	**98,426**	**5,703,615**

Internal credit rating system is grouped as follows:

	Standard & Poor's
High grade	From AAA till BBB-
Standard grade	From BB+ till B-
Sub-standard grade	Less B-

All loans, witch are neither past due nor impaired, are classified as standard grade.

Aging analysis of past due but not impaired loans per class of financial assets

Group	**Past due but not impaired loans 2008**				
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Private individuals	248,800	69,456	57,249	50,111	425,616
Corporate clients	396,750	150,705	59,187	95,007	701,649
Total	**645,550**	**220,161**	**116,436**	**145,118**	**1,127,265**

Group	**Past due but not impaired loans 2007**				
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Private individuals	96,817	9,128	20,425	8,347	134,717
Corporate clients	167,312	3,276	16,572	33,237	220,397
Total	**264,129**	**12,404**	**36,997**	**41,584**	**355,114**

Bank	**Past due but not impaired loans 2008**				
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Private individuals	173,218	29,632	23,002	24,585	250,437
Corporate clients	319,221	136,790	43,352	79,731	579,094
Total	**492,439**	**166,422**	**66,354**	**104,316**	**829,531**

Bank	**Past due but not impaired loans 2007**				
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Private individuals	30,621	5,198	879	-	36,698
Corporate clients	48,036	3,127	14,155	27,355	92,673
Total	**78,657**	**8,325**	**15,034**	**27,355**	**129,371**

(LTL thousand)

33. Financial Risk Management (Cont'd)

Carrying amount of financial assets whose terms have been renegotiated

The carrying amount of financial assets whose terms have been renegotiated was LTL 103,881 thousand in the Group and LTL 65,023 thousand in the Bank (Group – LTL 80,762 thousand, Bank – LTL 42,336 thousand in 2007).

Market risk

Market risk is the risk to experience losses or probability that the future cash flows of a financial instrument will decrease due to moves in market factors, such as interest rates, foreign exchange rates and equity prices.

The Group and the Bank separate exposure to market risk into trading related and non-trading related, where risk arises from the currency mismatch between assets and liabilities. Risk management department sets limits to the position value, structure and performs control of the limits by repricing positions by market value. For the trading portfolio of debt securities limits are set according to their credit ratings.

The investment by the Group and the Bank into equity securities is done based on evaluation of equity risks and setting limits to the volatility of a security's price.

Interest rate risk

The Group and Bank take 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 changes arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

General interest rate risk is a risk of decrease of Group's and Bank's interest rate margin due to the mismatch of cash flow terms. The Group and the Bank control exposure to interest rate risk by analyzing and forecasting the market interest rates and setting limits on the level of mismatch of cash flow terms due to different timing of their repricing.

The main tool of general interest rate risk management is interest rate gap report, which is used to measure the Group's and the Bank's earnings exposure to potential interest rate movements.

In 2007 the Bank has implemented new funds transfer pricing system based on the good practice standard such as maturity matched pricing in order to better manage interest rate risk.

Interest rate sensitivity analysis

Influence on Group's and Bank's Statement of Income can be calculated based on changes in term structure of individual currency and applying such changes to all term structures.

Influence on Group's and Bank's Equity is calculated as influence on available for sale financial assets adjusting by changes in interest rates on balance sheet date. Increase and reduce of interest rate in basis points was selected taking into consideration that range possibility of interest rate in LTL is higher, and interest rates in EUR and USD are generally at the low level, and large range in the short term should not be in the near future.

The table represents Group's and Bank's sensitivity to a reasonable possible change in interest rates, with all other variables held constant:

Group	2008			2007		
Currency	**Interest rate increase / decrease in basis points**	**Impact on profit before taxes**	**Impact on Equity**	**Interest rate increase / decrease in basis points**	**Impact on profit before taxes**	**Impact on Equity**
LTL	+200	557	473	+200	(1,612)	(1,322)
EUR	+50	4,110	3,494	+50	511	419
USD	+50	(556)	(472)	+50	678	556
LTL	-200	(557)	(473)	-200	1,612	1,321
EUR	-50	(4,110)	(3,494)	-50	(511)	(419)
USD	-50	556	472	-50	(678)	(556)

(LTL thousand)

33. Financial Risk Management (Cont'd)

Bank	2008			2007		
Currency	Interest rate increase / decrease in basis points	Impact on profit before taxes	Impact on Equity	Interest rate increase / decrease in basis points	Impact on profit before taxes	Impact on Equity
LTL	+200	(1,760)	(1,496)	+200	883	724
EUR	+50	2,124	1,805	+50	293	240
USD	+50	(407)	(346)	+50	453	371
LTL	-200	1,760	1,496	-200	(883)	(724)
EUR	-50	(2,124)	(1,805)	-50	(293)	(240)
USD	-50	407	346	-50	(453)	(371)

Equity and commodity price risk

Equity and commodity price risk is the risk that the call options' or equities' fair value decrease as the result of changes in the levels of market value of equities and equity and commodity indices. The effect on profit (loss) due to a reasonably possible change in indices, with all other variables held constant, is as follows:

Group/Bank	2008		2007	
Market indices	**Change in price, %**	**Impact on profit before taxes**	**Change in price, %**	**Impact on profit before taxes**
Equity Indexes	-	-	-/+1.35	-/+562
Commodity indexes	-	-	-/+2.37	-/+331
Equities	-	-	-/+15.00	-/+4,960

The bank applies valuation model for impairment of securities where probability of default and recovery coefficients are assessed based on publicly available data. If estimated rate of recovery coefficient decreased by 10% that would a negative imapct of LTL 4,073 thousand on profit before taxes (LTL 3,462 thousand negative impact on equity).

Currency risk

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.

Sensitivity analysis of foreign exchange deals

The table represents Group's and Bank's sensitivity analysis of USD and RUB currencies. The Group and the Bank have open position in these currencies so there is a possible future impact on the Statement of Income and Group's and Bank's Equity. The amount of impact was taken according to USD and RUB currencies exchange rate maximum daily changes during the last year.

Group	2008			2007		
Currency	FX rate change %	Impact on P/L before taxes	Impact on Equity	FX rate change %	Impact on P/L before taxes	Impact on Equity
RUB	+4	106	90	+5	182	149
RUB	-4	(106)	(90)	-5	(182)	(149)
USD	+4	(183)	(155)	+12	157	128
USD	-4	183	155	-12	(157)	(128)

(LTL thousand)

33. Financial Risk Management (Cont'd)

Bank	2008			2007		
Currency	**FX rate change %**	**Impact on P/L before taxes**	**Impact on Equity**	**FX rate change %**	**Impact on P/L before taxes**	**Impact on Equity**
RUB	+4	(21)	(18)	+5	147	120
RUB	-4	21	18	-5	(147)	(120)
USD	+4	(114)	(96)	+12	(28)	(23)
USD	-4	114	96	-12	28	23

Liquidity Risk

Liquidity risk is the risk that the Group and Bank will be unable to meet its payment obligations associated with its financial liabilities and trade its asset for the relevant price to get funding. Liquidity risk also arises when the Group and Bank are not able to liquidate its market position without significant by lowering market prices. Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. In order to manage liquidity risk, the Group and the Bank perform daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Bank follows requirements for the liquidity ratio set by the Board of the Bank of Lithuania. The Bank's liquidity ratio (the ratio between certain liquid assets and liabilities) cannot be lower than 30 percent. In 2007 the Bank has outperformed this ratio almost twice. The Bank also follows requirements of the required reserves at the Bank of Lithuania.

The liquidity ratio of the Bank during the year was as follows:

	2008, %	**2007, %**
Average during the period	43.77	58.85
Highest	57.52	67.04
Lowest	30.11	44.57

AS Latvijas Krājbanka maintains the liquidity ratio at least equal to 30% of total current liabilities which is set as a minimal ratio. The liquidity ratio of AS Latvijas Krājbanka during the year was as follows:

	2008, %	**2007, %**
Average during the period	52.15	53.27
Highest	60.83	72.75
Lowest	46.43	46.14

Along with regulatory compliance the Group and the Bank apply internal liquidity management tools. The Group and the Bank sets set of ratios between certain type of liquid assets and liabilities to certain types of customers.

The liquidity risk management instruments include monitoring and evaluation of the current and future cash flows. The Bank gets the main funding from customers deposits (around 80 percent of all funding resources). This is the reason the Group and the Bank monitor deposit fluctuation trends, which are used as indicator of depositors' behaviour.

The Group and the Bank have prepared these consolidated financial statements on a going concern basis notwithstanding the fact that they have a significant negative liquidity gap in the "on demand" maturity range of assets and liabilities. The Group's and Bank's management closely monitor and manage the Group's and Bank's liquidity position on a daily basis in accordance with the Group's and Bank's liquidity risk management framework. The negative liquidity gap in "on demand" assets and liabilities as at 31 December 2008 and 2007 is substantially due to significant "on demand" amounts due to customers. According to the past history of the Group and the Bank, customers' deposits are normally held with the Group and the Bank for periods significantly exceeding their stated maturity. The Group and the Bank have considered the risk of being adversely affected by liquidity issues and have taken actions to minimise the negative impact on the Group and the Bank. The Group's and the Bank's ability to avoid adverse changes in their liquidity position is depending on management's effectiveness in the continuing execution of the actions taken.

Contingency liquidity risk relates to the organisation and planning for liquidity management in times of stress. The main objective of Bank's contingency plans is to enable senior management to act effectively and efficiently at times of crisis. The specific liquidity crisis management plan is approved by the Management Board for addressing temporary and long-term liquidity disruptions caused by a general event in the market or Bank specific event. This plan addresses all the issues, responsibilities and actions to be taken once crisis is identified.

(LTL thousand)

33. Financial Risk Management (Cont'd)

The following tables provide an analysis of banking assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date.

Group	*2008*							
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Undefined maturity*	*Total*
Assets:								
Cash and cash equivalents	2,181,325	120,273	36,762	-	-	-	-	2,338,360
Financial assets at fair value through profit or loss	-	17,340	4,710	52,641	49,623	16,090	4,765	145,169
Amounts due from credit institutions	-	51,449	141,089	31,294	487	-	3,508	227,827
Held-to-maturity financial assets	-	-	31,215	81,097	136,553	4,318	8,477	261,660
Loans to customers		659,607	305,999	1,030,266	2,197,789	660,651	98,987	4,953,299
Other assets	5,234	7,745	2,125	149	714	256	509,178	525,401
	2,186,559	**856,414**	**521,900**	**1,195,447**	**2,385,166**	**681,315**	**624,915**	**8,451,716**
Liabilities:								
Due to credit institutions	43,648	64,984	36,928	169,733	2,680	-	716	318,689
Derivative financial liabilities	-	10,084	-	-	4,723	-	-	14,807
Debt securities issued	-	440	-	2,090	591,383	-	-	593,913
Amounts due to customers	2,516,062	1,336,770	1,001,331	1,726,412	157,200	8,234	-	6,746,009
Subordinated loans	-	1,247	68	-	-	113,101	-	114,416
Deferred income tax liabilities	-	-	-	-	-	-	13,133	13,133
Other liabilities	18,856	17,735	2,630	3,810	-	-	24,943	67,974
	2,578,566	**1,431,260**	**1,040,957**	**1,902,045**	**755,986**	**121,335**	**38,792**	**7,868,941**
Net position	**(392,007)**	**(574,846)**	**(519,057)**	**(706,598)**	**1,629,180**	**559,980**	**586,123**	**582,775**
Accumulated gap	**(392,007)**	**(966,853)**	**(1,485,910)**	**(2,192,508)**	**(563,328)**	**(3,348)**	**582,775**	

(LTL thousand)

33. Financial Risk Management (Cont'd)

Group	***2007***							
	On demand	***Less than 1 month***	***1 to 3 months***	***3 months to 1 year***	***1 to 5 years***	***Over 5 years***	***Undefined maturity***	***Total***
Assets:								
Cash and cash equivalents	1,394,387	1,656,117	48,932	-	-	-	-	3,099,436
Financial assets at fair value through profit or loss	-	68,192	61,707	69,336	519,923	87,373	43,088	849,619
Amounts due from credit institutions	-	50,433	172,838	215,089	-	-	-	438,360
Available-for-sale financial assets	-	33,835	-	-	-	-	-	33,835
Held-to-maturity financial assets	-	2,982	10,783	16,206	113,721	6,307	-	149,999
Loans to customers	-	198,939	180,657	995,118	2,051,098	613,425	47,579	4,086,816
Other assets	-	6,634	1,862	621	234	558	329,010	338,919
	1,394,387	2,017,132	476,779	1,296,370	2,684,976	707,663	419,677	8,996,984
Liabilities:								
Due to credit institutions	41,333	379,460	48,042	23,673	26,783	-	21	519,312
Derivative financial liabilities	-	4,199	-	-	-	-	-	4,199
Debt securities issued	-	-	-	-	639,920	-	-	639,920
Amounts due to customers	3,076,194	1,412,174	584,497	1,667,233	275,037	2,186	-	7,017,321
Subordinated loans	-	1,142	71	-	19,158	94,008	-	114,379
Deferred income tax liabilities	-	-	-	-	-	-	11,718	11,718
Provisions	-	-	-	-	-	-	-	-
Other liabilities	12,885	42,604	4,189	3,336	-	-	31,626	94,640
	3,130,412	1,839,579	636,799	1,694,242	960,898	96,194	43,365	8,401,489
Net position	**(1,736,025)**	**177,553**	**(160,020)**	**(397,872)**	**1,724,078**	**611,469**	**376,312**	**595,495**
Accumulated gap	**(1,736,025)**	**(1,558,472)**	**(1,718,492)**	**(2,116,364)**	**(392,286)**	**219,183**	**595,495**	

Long-term loans and overdraft facilities are generally not available in Lithuania and Latvia except for programs set up by international financial institutions. However, in both marketplaces, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. In addition, the maturity gap analysis does not reflect the historical stability of current accounts. These balances are included in amounts due "on demand" in the tables above. The Group and the Bank have reviewed the historical stability of their current accounts and concluded that half of the balances have the ultimate maturity of more than one year.

The maturity profile of assets and liabilities is determined on the basis of the following criteria:

- Assets are stated according to their remaining period to repayment.
- Assets for which, according to the substance of the transactions, maturity is not defined, or assets whose maturity cannot be precisely determined, are considered to be undated.
- All debt securities within the liquidity portfolio are stated according to their redemption date.
- Liabilities without any defined maturity or with commitments to exercise them on demand are presented under the caption "On demand".

The assets, which have been impaired, are stated net of allowance.

(LTL thousand)

33. Financial Risk Management (Cont'd)

Bank	*2008*							
	On demand	***Less than 1 month***	***1 to 3 months***	***3 months to 1 year***	***1 to 5 years***	***Over 5 years***	***Undefined maturity***	***Total***
Assets								
Cash and cash equivalents	1,403,572	98,130	36,762	-	-	-	-	1,538,464
Financial assets at fair value through profit or loss	-	823	4,710	47,578	22,762	15,256	3	91,132
Amounts due from credit institutions	-	46,659	131,291	-	-	-	3,587	181,537
Held-to-maturity financial assets	-	-	4,586	45,687	100,009	0	7,864	158,146
Loans to customers, net	-	37,732	185,689	937,037	1,743,938	379,994	141,362	3,425,752
Investments in subsidiaries	-	-	-	-	-	-	137,636	137,636
Other assets	4,883	606	2,125	148	714	256	153,252	161,984
	1,408,455	**183,950**	**365,163**	**1,030,450**	**1,867,423**	**395,506**	**443,704**	**5,694,651**
Liabilities:								
Due to credit institutions	109,698	383,803	32,525	87,982	-	-	-	614,008
Derivative financial liabilities	-	788	-	-	-	-	-	788
Debt securities issued	-	-	2,090	-	574,208	-	-	576,298
Amounts due to customers	875,050	1,012,364	755,896	1,169,941	84,703	3,005	-	3,900,959
Subordinated loans	-	1,237	-	-	-	69,056	-	70,293
Deferred income tax liabilities	-	-	-	-	7,913	-	-	7,913
Other liabilities	9,825	8,381	2,630	3,810	-	-	4,626	29,272
	994,573	**1,406,573**	**793,141**	**1,261,733**	**666,824**	**72,061**	**4,626**	**5,199,531**
Net position	**413,882**	**(1,222,623)**	**(427,978)**	**(231,283)**	**1,200,599**	**323,445**	**439,078**	**495,120**
Accumulated gap	**413,882**	**(808,741)**	**(1,236,719)**	**(1,468,002)**	**(267,403)**	**56,042**	**495,120**	

(LTL thousand)

33. Financial Risk Management (Cont'd)

Bank	*2007*							
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Undefined maturity*	*Total*
Assets								
Cash and cash equivalents	1,110,697	477,124	-	-	-	-	-	1,587,821
Financial assets at fair value through profit or loss	-	53,502	55,468	38,437	481,456	76,852	2,313	708,028
Amounts due from credit institutions	-	-	172,838	214,990	-	-	-	387,828
Available-for-sale financial assets	-	32,865	-	-	-	-	-	32,865
Held-to-maturity financial assets	-	-	-	16,206	110,103	-	-	126,309
Loans to customers, net	-	104,939	108,897	854,317	1,313,324	261,912	5,337	2,648,726
Investments in subsidiaries	-	-	-	-	-	-	136,912	136,912
Other assets		909	1,807	159	234	558	121,618	125,285
	1,110,697	**669,339**	**339,010**	**1,124,109**	**1,905,117**	**339,322**	**266,180**	**5,753,774**
Liabilities:								
Due to credit institutions	41,043	269,817	48,042	23,673	-	-	21	382,596
Derivative financial liabilities	-	418	-	-	-	-	-	418
Debt securities issued	-	-	-	-	625,378	-	-	625,378
Amounts due to customers	1,326,094	1,061,669	440,454	1,100,087	186,550	2,186	-	4,117,040
Subordinated loans	-	1,142	-	-	-	69,056	-	70,198
Deferred income tax liabilities	-	-	-	-	-	-	5,160	5,160
Provisions	-	-	-	-	-	-	-	-
Other liabilities	12,373	21,427	4,189	3,336	-	-	7,175	48,500
	1,379,510	**1,354,473**	**492,685**	**1,127,096**	**811,928**	**71,242**	**12,356**	**5,249,290**
Net position	**(268,813)**	**(685,134)**	**(153,675)**	**(2,987)**	**1,093,189**	**268,080**	**253,824**	**504,484**
Accumulated gap	**(268,813)**	**(953,947)**	**(1,107,622)**	**(1,110,609)**	**(17,420)**	**250,660**	**504,484**	

(LTL thousand)

33. Financial Risk Management (Cont'd)

Analysis of financial liabilities by remaining contractual maturities

The table below presents the maturity profile of the Group and Bank financial liabilities by the remaining maturities under agreements. The amounts of the liabilities disclosed in the table are the contractual undiscounted cash flows.

Group

	2008					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Due to central bank and other banks	611,634	33,405	222,722	-	-	867,761
Derivative financial instruments	552,211	2,654	948	-	-	555,813
Customer deposits	3,987,615	1,119,494	1,900,608	423,560	79,638	7,510,915
Subordinated debt	1,516	748	5,733	21,679	120,437	150,113
Debt securities in issue	-	2,618	37,615	592,070	17,701	650,004
Total undiscounted financial liabilities	**5,152,976**	**1,158,919**	**2,167,626**	**1,037,309**	**217,776**	**9,734,606**

Group

	2007					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Due to central bank and other banks	443,251	24,946	49,704	-	-	517,901
Derivative financial instruments	356,475	86,574	-	-	-	443,049
Customer deposits	4,493,707	598,284	1,721,158	293,494	2,342	7,108,985
Subordinated debt	1,375	649	6,056	51,342	137,504	196,926
Debt securities in issue	-	466	42,763	707,660	-	750,889
Total undiscounted financial liabilities	**5,294,808**	**710,919**	**1,819,681**	**1,052,496**	**139,846**	**9,017,750**

Bank

	2008					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Due to central bank and other banks	493,843	32,740	89,209	-	-	615,792
Derivative financial instruments	539,103	-	-	-	-	539,103
Customer deposits	2,004,075	869,665	1,375,860	102,549	412	4,352,561
Subordinated debt	1,237	-	3,680	19,626	104,001	128,544
Debt securities in issue	-	2,090	37,615	591,542	-	631,247
Total undiscounted financial liabilities	**3,038,258**	**904,495**	**1,506,364**	**713,717**	**104,413**	**6,267,247**

Bank

	2007					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Due to central bank and other banks	310,928	24,531	48,020	-	-	383,479
Derivative financial instruments	21,473	23,827	-	-	-	45,300
Customer deposits	2,386,817	451,011	1,132,377	197,190	865	4,168,260
Subordinated debt	1,142	-	3,399	18,127	110,535	133,203
Debt securities in issue	-	-	42,297	688,834	-	731,131
Total undiscounted financial liabilities	**2,720,360**	**499,369**	**1,226,093**	**904,151**	**111,400**	**5,461,373**

(LTL thousand)

33. Financial Risk Management (Cont'd)

The tables below shows the contractual expiry by maturity of the Group's and the Bank's contingent liabilities and commitments.

Group	***2008***					
	Less than 1 month	***1 to 3 months***	***3 months to 1 year***	***1 to 5 years***	***Over 5 years***	***Total***
Credit commitments	96,007	2,882	46,811	179,658	21,526	346,884
Issued guarantees	45,659	1,578	33,976	1,821	107,672	190,706
Total	**141,666**	**4,460**	**80,787**	**181,479**	**129,198**	**537,590**

Group	***2007***					
	Less than 1 month	***1 to 3 months***	***3 months to 1 year***	***1 to 5 years***	***Over 5 years***	***Total***
Credit commitments	61,372	9,425	73,523	327,809	39,093	511,222
Issued guarantees	9,117	273	28,390	5,825	4,089	47,694
Total	**70,489**	**9,698**	**101,913**	**333,634**	**43,182**	**558,916**

Bank	***2008***					
	Less than 1 month	***1 to 3 months***	***3 months to 1 year***	***1 to 5 years***	***Over 5 years***	***Total***
Credit commitments	2,189	2,882	46,862	182,272	21,526	255,731
Issued guarantees	1,811	1,578	33,976	1,821	107,672	146,858
Total	**4,000**	**4,460**	**80,838**	**184,093**	**129,198**	**402,589**

Bank	***2007***					
	Less than 1 month	***1 to 3 months***	***3 months to 1 year***	***1 to 5 years***	***Over 5 years***	***Total***
Credit commitments	1,073	9,425	73,523	327,809	39,093	450,923
Issued guarantees	97	273	28,390	5,825	4,089	38,674
Total	**1,170**	**9,698**	**101,913**	**333,634**	**43,182**	**489,597**

Operational risk

Operational risk is the risk of loss resulting from external events (natural disasters, third-party theft and forgery, etc.) and inadequate internal processes (IT system's breakdown, mistakes, non-compliance with internal procedures).

The Group and the Bank have implemented and are running an operational risk management system, which was improved and renewed in 2007 based on Basel II recommendations and the good practice standards.

In order to ensure the efficiency, control and integrity of the information on the operational risk events the Group and the Bank have created the register of risk-related issues, which was improved by adding electronic risk events reporting mailbox.

One of the most significant means of mitigating exposure on operational risk is insurance. The Group and the Bank insures most aspects of its activities, thus, in general, it does not experience tangible assets losses.

(LTL thousand)

34. Fair Value Of Financial Instruments

Table represents breakdown of difference between financial instruments accounting value and fair value by asset groups. Table does not include non-financial position fair value revaluation.

Group	***2008***			***2007***		
	Carrying value	***Fair value***	***Difference***	***Carrying value***	***Fair value***	***Difference***
Financial Assets						
Cash and cash equivalents	2,338,360	2,338,360	-	3,099,436	3,099,436	-
Financial assets at fair value through profit or loss	145,169	145,169	-	849,619	849,619	-
Amounts due from credit institutions	227,827	227,827	-	438,360	438,359	(1)
Available-for-sale financial assets	-	-	-	33,835	33,835	-
Held-to-maturity financial assets	261,660	232,829	(28,831)	149,999	149,935	(64)
Of which impaired HTM securities	*24,885*	*2,817*	*(22,068)*	-	-	-
Loans to customers, net	4,953,299	4,925,374	(27,925)	4,086,808	4,085,122	(1,686)
Financial liabilities						
Amounts due to credit institutions	318,689	318,689	-	519,312	519,312	-
Derivative financial liabilities	14,807	14,807	-	4,199	4,199	-
Debt securities issued	593,913	329,103	264,810	639,920	565,911	74,009
Amounts due to customers	6,746,009	6,791,149	(45,140)	7,017,321	7,016,043	1,278
Subordinated loans	114,416	113,986	430	114,379	110,840	3,539
Total difference to fair value			**163,344**			**77,075**

Bank	***2008***			***2007***		
	Carrying value	***Fair value***	***Difference***	***Carrying value***	***Fair value***	***Difference***
Financial Assets						
Cash and cash equivalents	1,538,464	1,538,464	-	1,587,821	1,587,821	-
Financial assets at fair value through profit or loss	91,132	91,132	-	708,028	708,028	-
Amounts due from credit institutions	181,537	181,537	-	387,828	387,827	(1)
Available-for-sale financial assets	-	-	-	32,865	32,865	-
Held-to-maturity financial assets	158,146	134,632	(23,514)	126,309	126,309	-
Of which impaired HTM securities	*24,885*	*2,817*	*(22,068)*	-	-	-
Loans to customers, net	3,425,752	3,398,736	(27,016)	2,648,726	2,648,700	(26)
Financial liabilities						
Amounts due to credit institutions	614,008	614,008	-	382,596	382,596	-
Derivative financial liabilities	788	788	-	418	418	-
Liabilities of subsidiary classified as held for sale	-	-	-	-	-	-
Debt securities issued	576,298	311,488	264,810	625,378	551,369	74,009
Amounts due to customers	3,900,959	3,948,298	(47,339)	4,117,040	4,116,926	114
Subordinated loans	70,293	70,293	-	70,198	70,198	-
Total difference to fair value			**166,941**			**74,096**

The estimated fair value of financial instruments is made in accordance with the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's and Bank's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument.

(LTL thousand)

34. Fair Value Of Financial Instruments (Cont'd)

The following describes the methodologies and assumptions used to determine the fair value for those financial instruments:

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

Balances with the Central Banks. The carrying amount is its fair value as these are current accounts at the Bank of Lithuania and Bank of Latvia.

Financial Assets at Fair Value Through Profit or Loss. The carrying amount is the fair value of such investments.

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

Loans to Customers. The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as of the respective year-end.

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

Debt securities issued. The fair value is calculated using market rates.

Table represents Group's and Bank's financial assets and financial liabilities according to different methods of assessment:

Group	***Quoted market price***		***Valuation techniques – market observable inputs***		***Valuation techniques – non-market observable inputs***		***Total***	
	2008	***2007***	***2008***	***2007***	***2008***	***2007***	***2008***	***2007***
Financial assets								
Derivative financial instruments	12,983	1,566	5,050	3,496	-	16,596	18,033	21,658
Financial assets at fair value through profit and loss	119,313	827,961	7,779	-	44	-	127,136	827,961
Available-for-sale financial assets	-	33,835	-	-	-	-	-	33,835
Total financial assets	**132,296**	**863,362**	**12,829**	**3,496**	**44**	**16,596**	**145,169**	**883,454**
Financial liabilities								
Derivative financial instruments	8,856	1,152	5,951	2,677	-	-	14,807	4,199
Total financial liabilities	**8,856**	**1,152**	**5,951**	**2,677**	**-**	**-**	**14,807**	**4,199**

(LTL thousand)

34. Fair Value Of Financial Instruments (Cont'd)

Bank	*Quoted market price*		*Valuation techniques – market observable inputs*		*Valuation techniques – non-market observable inputs*		*Total*	
	2008	*2007*	*2008*	*2007*	*2008*	*2007*	*2008*	*2007*
Financial assets								
Derivative financial instruments	1,913	-	823	2,053	-	16,596	2,736	18,649
Financial assets at fair value through profit and loss	80,617	689,379	7,779	-	-	-	88,396	689,379
Available-for-sale financial assets	-	32,865	-	-	-	-	-	32,865
Total financial assets	**82,530**	**722,244**	**8,602**	**2,053**		**16,596**	**91,132**	**740,893**
Financial liabilities								
Derivative financial instruments	-	-	788	418	-	-	788	418
Total financial liabilities	**-**	**-**	**788**	**418**	**-**	**-**	**788**	**418**

35. Related Party Transactions

In accordance with IAS 24 "Related Party Disclosures" party is considered to be related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(ii) has an interest in the entity that gives it significant influence over the entity; or

(iii) has joint control over the entity;

(b) the party is an associate (as defined in IAS 28 Investments in Associates) of the entity;

(c) the party is a joint venture in which the entity is a venturer (see IAS 31 Interests in Joint Ventures);

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The volumes of related party transactions and their balances in 2008 and 2007 are as follows:

Group	*2008*		*2007*	
	Shareholders	*Key manage-ment personnel**	*Shareholders*	*Key manage-ment personnel**
Loans issued at the beginning of the period, net	9,604	210	-	1,097
Loans issued at the end of the period, net	9,628	507	9,604	210
Due from banks at the beginning of the period	-	-	-	-
Due from at banks at the end of the period	-	-	-	-
Due to banks at the beginning of the period	-	-	-	-
Due to banks at the end of the period	-	-	-	-
Deposits at the beginning of the period	**69**	**5,590**	**87**	**437**
Deposits at the end of the period	**-**	**9,998**	**69**	**5,590**

(LTL thousand)

35. Related Party Transactions (Cont‘d)

Bank	2008			2007		
	Share-holders	*Subsidia-ries*	*Key manage-ment personnel**	*Share-holders*	*Subsidia-ries*	*Key manage-ment personn-el**
Loans issued at the beginning of the period, net	9,604	281,844	200	-	204,936	342
Loans issued at the end of the period, net	9,628	532,258	2	9,604	281,844	200
Due from banks at the beginning of the period	-	21,871	-	-	33,465	-
Due from at banks at the end of the period	-	93,786	-	-	21,871	-
Due to banks at the beginning of the period	-	138	-	-	755	-
Due to banks at the end of the period	-	417,469	-	-	138	-
Deposits at the beginning of the period	**69**	**4,984**	**5,469**	**87**	**1,307**	**209**
Deposits at the end of the period	**-**	**5,089**	**9,857**	**69**	**4,984**	**5,469**

** Key management personnel include presidents and vice-presidents of AB Bankas SNORAS and AS Latvijas Krājbanka*

Compensation of key management personnel comprised the following (salaries are shown with the bonuses to the key management):

	Group		Bank	
	2008	*2007*	*2008*	*2007*
Salaries and other short-term benefits	4,170	4,004	2,523	1,657
Social security costs	852	647	782	513
Total key management compensation	**5,022**	**4,651**	**3,305**	**2,170**

As of 14 September 2005 the Bank also received a subordinated loan from its controlling shareholder, who is a private individual. As of 31 December 2008 the outstanding amount of subordinated loan, including accrued interest, amounted to LTL 70,293 thousand (LTL 70,198 thousand as of 31 December 2007) (Note 16).

In June 2008 the Bank sold the part of loan portfolio that involved impaired loans to the Group's subsidiary company Snoro rizikos kapitalo valdymas UAB. The amount of transaction was LTL 10,533 thousand.
In November 2007 the Bank sold the part of loan portfolio that involved impaired loans to the Group's subsidiary company Snoro rizikos kapitalo valdymas UAB. The amount of transaction was LTL 13,932 thousand.

As of 31 December 2008 outstanding Group's balances with the bank, related to main shareholder, were equal to LTL 472,206 thousand and LTL 16,528 thousand recorded respectively as amounts due to and due from banks in Group's balance sheet (31 December 2007 – LTL 298,474 thousand and LTL 10,060 thousand recorded respectively as amounts due to and due from banks in Group's balance sheet).

On 25 December 2008 UAB Snoro Turto Valdymas sold all shares of Dutch company Spyker Cars N.V for LTL 80,169 thousand (except one ordinary share) to the company related to the main shareholder (Note 1).

(LTL thousand)

36. Capital Adequacy

The Bank of Lithuania and Latvian Financial and Capital Market Commission (FCMC) require banks in Lithuania and Latvia respectively to maintain a capital adequacy ratio of 8%, computed based on requirements of respective regulator. Additionally, the Bank has agreed with the Bank of Lithuania to maintain a capital adequacy ratio of 10% (for the Bank only) through 31 December 2008 and 2007, the Group and the Bank were in compliance with the capital adequacy requirements.

Capital adequacy ratios of the Group, the Bank, Latvijas Krājbanka Group and AS Latvijas Krājbanka were as follows (%):

	Group	*Bank*	*Latvijas Krājbanka Group*	*AS Latvijas Krājbanka*
31 December 2008	10.03	10.13	11.30	11.37
31 December 2007	10.55	11.72	12.00	12.10

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

Capital adequacy calculation, 2008	*Group*	*Bank*
Tier 1 equity items	479,909	457,072
Tier 2 equity items	147,625	95,536
Deductions from capital	(27,981)	(120,102)
Eligible capital	**599,553**	**432,506**
Total capital requirements for credit, counterparty credit and dilution risks and free deliveries	531,497	392,385
Total capital requirements for position, foreign exchange and commodity risks	6,709	2,140
Total capital requirements for operational risks	59,553	32,576
Capital requirements	**597,759**	**427,101**
Capital adequacy ratio	**10.03**	**10.13**

	Group		*Bank*	
Capital adequacy calculation, 2007	**Nominal**	**Weighted**	**Nominal**	**Weighted**
Tier 1 equity items	410,765	410,765	393,640	393,640
Tier 2 equity items	182,283	182,283	126,513	126,513
Deductions from capital	(20,845)	(20,845)	(115,877)	(115,877)
Eligible capital	**572,203**	**572,203**	**404,276**	**404,276**
Risk weighted assets				
0% risk assets	1,233,097	-	939,979	-
20% risk assets	2,798,427	559,685	1,494,188	298,838
50% risk assets	342,566	171,283	150,606	75,303
100% risk assets	4,338,126	4,338,126	2,791,872	2,791,872
Off balance sheet risk weighted commitments	559,297	267,811	489,978	232,491
Trading book requirement	954,688	86,338	412,450	51,690
Total risk exposure		**5,423,243**		**3,450,194**
Capital adequacy ratio		**10.55**		**11.72**

In 2008 according to requirements of the Bank of Lithuania the Bank and the Group implemented the Internal Capital Adequacy Assessment Process (ICAAP). In accordance with the ICAAP regular and comprehensive analysis of main risks is executed, assessing their risk management and exploring internal capital adequacy.

(LTL thousand)

37. Subsequent events

On 11 February 2009 Securities Commission (SC) approved the basic prospectus of LTL 100 million worth non-negotiable securities (bonds) of AB Bankas SNORAS.

According to this prospectus, one or several fixed interest bond emissions of the medium duration (from 1 to 5 years), emissions of floating interest bonds, zero coupon bonds, bonds linked to the financial instruments and emissions of any combinations of these bond types can be issued in the public turnover of the securities. All these bonds will be non-subordinated, non-guaranteed and non-convertible. The emission parameters will be set up in the final provisions of each bond emission.

Following profit appropriation project for AB Bankas SNORAS is presented by the management of the Bank:

	2008
Unappropriated retained earnings at the beginning of the period	59,431
Increase of share capital	(59,431)
Current year result	21,956
Unappropriated retained earnings	21,956
Unappropriated retained earnings to be distributed	
Distribution:	
To reserve capital	4,000
To other general reserves	1,098
To pay dividends	-
Unappropriated retained earnings carried to next year	**16,858**

It is planned that the shareholders will approve LTL 900 thousand bonuses to the members of the supervisory council and the board. The respective amount was accrued in the financial statements of the Bank.

As of 6 March 2008 the Group company UAB Snoro Fondų Valdymas and UAB JT Investicijų Valdymas were reorganised to one company with name of UAB Snoras Assets Management which is engaged in management of funds.