



**CONSOLIDATED ANNUAL REPORT  
OF BANKAS SNORAS AB  
FOR THE YEAR 2006**

Vilnius  
March 2007

## 1. THE PERIOD REVIEWED IN THE ANNUAL REPORT

The report covers the year 2006, all the figures are provided as of December 31, 2006 unless otherwise is stated. Bankas SNORAS AB can be referred to as the Bank or the Issuer herein as well.

## 2. MAIN DATA ON THE ISSUER

Commercial name of the Issuer:	AB bankas „Snoras“
Legal name of the Issuer:	AB bankas „Snoras“
Authorised capital:	LTL 157 267 200
Registration date and place:	March 17, 1992, the Bank of Lithuania
Company (register) code:	112025973
Registration No.:	AB 92-20
Establishment date:	March 17, 1992
Operation period:	Unlimited
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Legal – organizational form:	Public limited liability company
Legislation governing the Issuer’s operations:	Law of the Republic of Lithuania
Register of the Issuers:	State enterprise Centre of Registers
Phone numbers:	(8~5) 216 27 95, (8~5) 231 01 44
Fax numbers:	(8~5) 231 01 55, (8~5) 265 27 00
e-mails:	info@snoras.com
Internet site:	www.snoras.com

## 3. NATURE OF THE MAIN TYPE OF ACTIVITY OF THE ISSUER

Bank and its subsidiaries offer customers (both legal and natural persons) licensed and unlicensed financial services: accept deposits and other returnable funds from nonprofessional 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 (safe-boxes rentals), securities accounting and financial brokerage, leasing products, factoring, investment, assets management and other services.

Retail banking is a strong site of Bankas SNORAS AB. The Bank has the most extensive and advanced customer service network in Lithuania consisting of 232 outlets. The network includes 10 regional branches, operating in each county of Lithuania, 6 branch outlets and 216 savings outlets. The Bank runs 315 ATMs (this is 1/3 of all ATMs operating on the market).

## 4. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

The Bank has not entered any agreements with intermediaries of public trading in securities. The Financial Brokerage Department of Bankas SNORAS AB performs Bank’s securities accounting.

## 5. INFORMATION ON THE SECONDARY TRADING IN SECURITIES ISSUED BY THE ISSUER

### 5.1. SECURITIES LISTED ON THE STOCK EXCHANGE

Ordinary and preferred registered shares as well as bonds of the Bank are traded in on Vilnius Stock Exchange.

7 560 000 ordinary registered shares (each of LTL 10 nominal value) of the Bank were listed in the I List in 2006; total nominal value of all the ordinary registered shares listed in the I List was LTL 75 600 000.

There were 6 166 720 unlisted ordinary registered shares of the Bank (each of LTL 10 nominal value) in 2006; total nominal value of all unlisted ordinary registered shares was LTL 61 667 200.

300 000 bonds (each of LTL 100 nominal value) of the Bank were listed in the Debt Securities List, total nominal value of all the bonds listed in the Debt Securities List were LTL 30 000 000.

2 000 000 preferred registered shares (each of LTL 10 nominal value) of the Bank were included into the I List on the 28<sup>th</sup> of December 2006, total nominal value of all the preferred registered shares listed in the I List was LTL 20 000 000.

### 5.2. TRADE IN THE ISSUER'S SECURITIES ON STOCK EXCHANGE

The highest and the lowest price and turnover on the Vilnius Stock Exchange within the last 4 quarters:

Accounting period		Price (LTL)			Date	Total turnover	
From (YYYY-MM-DD)	To (YYYY-MM-DD)	max.	min.	Last session	Last session (YYYY-MM-DD)	pcs.	LTL
2006-01-01	2006-03-31	69,50	55,00	60,89	2006-03-31	105 509	6 551 507
2006-04-01	2006-06-30	61,00	42,50	47,50	2006-06-30	88 181	4 691 385
2006-07-01	2006-09-30	55,95	45,00	55,00	2006-09-29	113 017	5 700 236
2006-10-01	2006-12-31	65,00	46,20	50,00	2006-12-29	345 482	18 801 136

### 5.3. CAPITALIZATION OF SECURITIES

Capitalization of ordinary registered shares included into the I List within the last 4 quarters:

Accounting period		Capitalization as of the end of period
From (YYYY-MM-DD)	To (YYYY-MM-DD)	LTL
2006-01-01	2005-03-31	460 328 400
2006-04-01	2006-06-30	359 100 000
2006-07-01	2006-09-30	415 800 000
2006-10-01	2006-12-31	378 000 000

### 5.4. OTC TRADE IN THE ISSUER'S SECURITIES

Accounting period		Settled in cash				Settled in kind	Total amount
From (YYYY-MM-DD)	To (YYYY-MM-DD)	Price (LTL)		Pcs.	Turnover LTL	pcs.	pcs.
		max.	min.				
2006-01-01	2006-03-31	-	-	0	0	0	0
2006-04-01	2006-06-30	-	-	0	0	0	0
2006-07-01	2006-09-30	47,98	21,69	82 253	2 680 729	0	82 253
2006-10-01	2006-12-31	55,49	22,79	273 649	10 654 165	1 288	274 937

## **6. OBJECTIVE REVIEW OF THE BANK'S STATUS, PERFORMANCE AND DEVELOPMENT, DESCRIPTION OF MAIN EXPOSURES, SCOPE OF EXPOSURES AND TYPES OF TRANSACTIONS**

Bankas SNORAS AB is a parent company of the Group. Bankas SNORAS is the fourth in terms of the capital and the fifth in terms of managed assets bank in Lithuania. Over 870 thousands of customers use services of the Bank.

Bank has 10 branches and 222 outlets. The network of the Bank was expanded by 14 new outlets in 2006. As of the end of 2006 the Financial Group of the bank (hereinafter referred to as Financial Group) consisted of:

- Bankas SNORAS AB;
- Latvijas Krājbanka A/S.
- Snoro Lizingas UAB;
- Snoro Turto Valdymas UAB
- Snoro Fondu Valdymas UAB
- Conversbank (UK) Ltd.

The whole banking Group (hereinafter referred to as Group) consisted of (aside from the aforementioned companies):

- Snoro Investicijų Valdymas UAB;
- Vilniaus Kapitalo Vystymo Projektai UAB

The Bank's shareholders structure has not changed significantly in 2006; Conversgroup Holding Company (Luxemburg) controlled the major block of shares (49.89%) as of the end of 2006. The Bank registered LTL 20 million emission of preferred shares in November 2006. The Bank included LTL 69 million subordinated loan in Tier 1 capital in July 2006.

The Extraordinary General Meeting convened on December 7, 2006 adopted a resolution to increase the authorised capital of the Bank by more than LTL 96 million in two stages. It was decided to increase the authorised capital by own funds of the Bank by more than LTL 54 million during the first stage.

The resolution of the General Meeting also stated that the shareholders of Bankas SNORAS AB holding on the day of the General Meeting ordinary registered shares of LTL 10 nominal value will receive a part of newly issued shares they are entitled to on pro rata basis free of charge. The resolution to change the nominal value of the ordinary registered shares from LTL 10 to LTL 1 was adopted during the Meeting as well, the authorised capital not be decreased. Upon the denomination of shares a holder of one share of LTL 10 nominal value obtains the ownership right for 10 shares of LTL 1 nominal value each.

It was decided to increase the authorised capital of the Bank by issuing the new LTL 41.2 million emission during the second stage.

The Bank decreased its investment into Latvijas Krajbanka from 83.01 to 75% of Latvijas Krajbanka capital in 2006.

The Bank has acquired 100% of Great Britain Pointon York LTd. (later renamed into Conversbank (UK) Limited) bank shares.

Investments into other subsidiaries have not changed.

Bankas SNORAS AB 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 19.1% (18% in 2005), ROE of the Group was 24% (19.7 in 2005); ROA of the Bank reached 1.4% (1.6% in 2005), ROA of the Group was 1.2% (1.4 in 2005).

The Bank kept up with all the standards of risk management:

- The adequacy ratio of the Bank's capital was 10.26%, while the Groups one – 8.95%;
- The liquidity ratio of the Bank was 44.6%
- Maximum open position in foreign currencies of the Bank was 1.97%
- The Bank met Maximum Lending to One Borrower standard
- The Bank met 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. The Group increased reporting within its members, created periodic reporting workflow and kept unifying risk management principles last year.

### **Credit risks**

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.

Bank's risk management was reviewed and renewed in 2006, new credit risk concentration limits were set in accordance with geographical and industrial area of the Borrower. Control of the credit risk related limits compliance was also strengthened within the Group; reporting system was renewed paying more attention to the analysis and changes in credit portfolio quality.

### **Market risks**

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.

The main changes in market risk management are: increase in portfolio management staff competence and specifying of portfolio management tasks. Positions of securities portfolio management staff were strengthened, the strategies of portfolio management were approved.

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.

Currency position was not significant. Currency position risk is managed by limits imposed to the open position in foreign currencies.

### **Operational risks**

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.

### **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 2006 (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 15-30 per cent over the standard in 2006.

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 2006.

The main interest rate risk management measure is interest rate gap report. The Bank was mostly issuing loans with variable interest rate in 2006.

Foundation of internal funds diversification system created in accordance with the best practice standards and designed to secure better gross interest rate risk management was laid in 2006.

## **7. ANALYSIS OF FINANCIAL AND NON-FINANCIAL RESULTS OF THE ACTIVITY**

In 2006 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 Lithuania 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 and Vilniaus Kapitalo Vystymo Projektai UAB.

In 2006 bank Snoras began to establish new-type divisions – branch outlets oriented to the provision of services to a minor and average business segment. Vigorous activity of Bankas Snoras AB in retail banking and strategic direction being expanded – to consolidate in the business segment on the oriented market – has prompted to complement the service network with branch outlets. The decision of the Bank about complementing the service network with branch outlets was also encouraged by the Bank's objective to service the growing needs of the clients as efficiently and fast as possible. The Bank's packet of products was replenished with attractive loan products, credit and leasing cards with different discount programs as well as other packages of services reserved for legal entities.

Latvijas Krajbanka is taking over the experience of the parent bank and in 2006 it introduced to the Latvian market the model of network development that proved to be a success in Lithuania – branch outlets. The bank subsidiary of Bankas Snoras AB, which has the largest network in Latvia, expands its network by establishing savings outlets all over Latvia. The first savings outlet in Latvia was introduced to the clients in Liepaja, later more savings outlets were set up. In the beginning of 2007 the network of Latvijas Krajbanka consisted of 75 branches and 6 mini-banks. Bank Snoras will further pursue the implementation and expansion of its retail experience on the Latvian banking market.

Financial results of 2006 demonstrate effective performance of the Bank and the Group.

According to the audited data, within 2006 the assets of the Bank increased by 27.7 % up to LTL 4 211 million, the assets of the Group increased by 45.1 % up to LTL 6 540 million. The authorized capital of the Bank and the Group amounted to LTL 157 million.

In 2006 the Bank earned LTL 51.9 million of gross profit, the Group – LTL 67.7 million, it is correspondingly 27.5 and 50.8 % more than in 2005.

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

Balance sheets of the Group and the Bank (LTL 000)

	<u>Group</u>		<u>Bank</u>	
	31 December			
	2006	2005	2006	2005
Assets	6.539.480	4.507.570	4.211.407	3.297.735
Obligations	6.191.220	4.245.578	3.910.463	3.056.388
Part of the shareholder's equity, reserved for the shareholders of the Group	318.826	245.334	300.944	241.347
Minority share	29.434	16.658	-	-
Total amount of the shareholder's equity	348.260	261.992	300.944	241.347
Total amount of the shareholder's equity and obligations	6.539.480	4.507.570	4.211.407	3.297.735

Income (loss) statement of the Group and the Bank (thousands of Litass)

	<u>Group</u>		<u>Bank</u>	
	Year, ending on 31 December			
	2006	2005	2006	2005
Interest	266.633	149.827	149.708	104.678
Interest expenditure	119.500	59.486	71.534	42.101
Net interest income	147.133	90.341	78.174	62.577
(Reduction) of cost of the assets of the interest earner	8.659	5.665	204	1.609
Net interest income after reduction of cost of the assets of the interest earner	138.474	84.676	77.970	60.968
Service and fee revenue	93.881	55.261	68.795	59.293
Service and commission	18.336	11.678	7.805	7.151
Net service and fee revenue	75.545	43.583	60.990	52.142
Other incomes	37.017	12.576	22.739	5.240
Operating costs	171.967	89.618	99.796	72.398
Before-tax income	79.069	51.217	61.903	45.952
Income tax expenditure	14.090	5.943	10.047	5.283
Profit of the subsidiary company up for sale	356	-	-	-
Profit	65.335	45.274	51.856	40.669
Attributable to:				
Minority share	3.691	631	-	-
Profit reserved for the shareholders of the Bank	61.644	44.643	51.856	40.669

Some relational figures of the Bank and the Group are provided in the table above.

Profitability indexes of the Bank and the Group (31 December, 2006):

Profitability indexes	Group (%)	Bank (%)
Return on equity of the shareholders	24.01	19.1
Return on total assets	1.23	1.4
Net interest income / OR*	58.0	48.5
Net fee revenue / OR	31.6	37.9
The result of the operations with derivative financial instruments / OR	2.0	1.1
The result of the operations with foreign currency / OR	10.7	11.5
The result of the operations with financial assets accounted in true value in I(L) statement / OR	(2.3)	1.0
Part of operating costs in total amount of costs	54.0	55.6
Operating costs / OR	72.0	62.0

\* - Operational Result

#### 8. 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 Accounting Standards (IAS) and audited if no other direction is given.

#### 9. INFORMATION ABOUT ONE'S OBTAINED AND TRANSFERRED SHARES

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

#### 10. INFORMATION ABOUT THE BANK'S BRANCHES AND REPRESENTATIVE OFFICES

Branches of the Bank:

Alytus branch  
Pulko st. 14/1, 62133 Alytus  
8 ~ 315 52 832, 8 ~ 315 52 419  
sekret.aly@snoras.com

Klaipėda branch  
Liepų st. 50, 92106 Klaipėda  
8 ~ 46 311 940, 8 ~ 46 311 943  
sekret.kla@snoras.com

Mažeikiai branch  
Laisvės st. 13, 89222 Mažeikiai  
8 ~ 443 26 381, 8 ~ 443 27 433  
sekret.maz@snoras.com

Šiauliai branch  
Tilžės st. 170, 76296 Šiauliai  
8 ~ 41 523 195, 8 ~ 41 523 178  
sekret.sia@snoras.com

Utena branch  
Maironio st. 12, 28143 Utena  
8 ~ 389 62 292, 8 ~ 389 62 293  
sekret.ute@snoras.com

Kaunas branch  
K.Donelaičio st. 76, 44248 Kaunas  
8 ~ 37 490 832, 8 ~ 37 490 833  
sekret.kau@snoras.com

Marijampolė branch  
J.Basanavičiaus a. 15, 68307 Marijampolė  
8 ~ 343 52 385, 8 ~ 343 53 805  
sekret.mar@snoras.com

Panevėžys branch  
Smėlynės st. 2c, 35143 Panevėžys  
8 ~ 45 581 511, 8 ~ 45 467 701  
sekret.pan@snoras.com

Tauragė branch  
Vytauto st. 60, 72248 Tauragė  
8 ~ 446 72 336, 8 ~ 446 72 336  
sekret.tau@snoras.com

Vilnius branch  
A.Vivulskio st. 7, 03221 Vilnius  
8 ~ 5 232 7242, 8 ~ 5 232 7316  
sekret.vil@snoras.com



## Representative Offices of the Bank:

Representative office  
in the Kingdom of Belgium  
Bastion tower level 20,  
5 place Du Champ de Mars  
Brussels, Belgium  
Tel. +3225503541

Representative office in the Czech Republic  
Šloska 32, Prague, Czech Republic  
Tel. +420221419773, +420221419712

Representative office in Estonia  
Roosikrantsi 17, Tallin, Estonia  
Tel. +3726272970, +3726272973

Representative office in Latvia  
Jura Alunana 2, Riga, Latvia  
Tel. +3717216309, +3717216308

Representative office in Ukraine  
Artema 49-507, Kiev, Ukraine  
Tel. +38044482376, +380682018775

Representative office in Byelorussia  
K.Markso 15, Minsk, Byelorussia  
Tel. +375172261359

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

On 12 January 2007 increase of the authorised capital up to LTL 212 174 080 was registered.

On 05 February 2007 the legal title in the bank of the United Kingdom Conversbank (UK) LIMITED was transferred.

On 19 February 2007 Vladimir Antonov and Raimondas Baranauskas acquired title in 93.75 % of the Bank's ordinary registered shares.

### 12. INFORMATION ABOUT COMPANY PLANS AND FORECASTS

In 2007 bank Snoras plans further development and expansion of its network by establishing representative offices in other countries as well as through its subsidiary companies. In a short time it is planned to open the branches of the Bank in Estonia and Belgium. However, the plans of the Bank's development are not limited to the mentioned plans at an early hand. The Bank is always considering the possibilities of expanding its network to other states.

In 2006 international financial magazine The Banker awarded bank Snoras the best bank of Lithuania. The Banker's team elects the winners every year taking the results for the year, development and strategic planning of the candidates into account. In order to justify expectations of its clients as well as to retain the nomination, the Bank plans vigorous activity in 2007 by further improving the quality of its products and services as well as by expanding their spectrum.

The main Bank's figures planned for year 2007:

mln. Lt	<u>Plan</u>	<u>Fact</u>	<u>The planned increase</u>	
	31.12.2007	31.12.2006	mln. Lt	%
Assets	5 700	4 211	1 489	35.3
Credits	2 121	1 164	957	82.2
Debt securities without discounted bills	1 700	1 354	346	25.5
Client deposits and credits	3 920	2 995	925	30.9
Profit	80,0	51,9	28,1	54.3

### 13. AMOUNT OF THE SUBSCRIBED CAPITAL AND INFORMATION ABOUT COMPOSITION OF THE CAPITAL

		<u>2007-01-01</u>	2007-03-01
a) The number of the ratified shares:	ordinary registered	- 13 726 720	- 192 174 080
	preference registered	- 2 000 000	- 2 000 000
b) Issued and fully paid:	ordinary registered	- 13 726 720	- 192 174 080
	preference registered	- 2 000 000	- 2 000 000
c) Nominal value of one share:	ordinary registered	LTL 10	LTL 1
	preference registered	LTL 10	LTL 10

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

During the time of drafting of the annual statement the authorised capital of the bank is LTL 212 174 080. It is divided into 192 174 080 ordinary registered shares the nominal value thereof is LTL 1 (one) and 2 000 000 (two million) non-voting preference registered shares with 10 (ten) % non-cumulative dividend the nominal value thereof is LTL 10 (ten).

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.

## 15. SHAREHOLDERS

The shareholders who by ownership have more than 5 % of the authorised capital of the Bank on the record date of the regular general meeting of the shareholders:

Shareholder	Number of available shares		Equity capital/ share of votes, %
	Preference	Ordinary	
VLADIMIR ANTONOV	0	131 920 334	62.18/68.65
RAIMONDAS BARANAUSKAS	200 000	48 244 210	23.68/25.10

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

## 16. 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:

Persons who may not be the shareholders of the Bank:

- 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.

#### **17. NUMBER OF EMPLOYEES AT THE END OF THE TERMS**

	<u>31.12.2006</u>	<u>31.12.2005</u>	<u>31.12.2004</u>
Total number of employees	1 050	930	860
Thereof:			
Leading executives	70	63	60
Specialists	874	766	701
Other employees	105	101	99
Education:			
Higher	629	553	495
Special secondary (further)	320	298	300
Secondary	100	79	65
Average gross wage, Lt:	2 808,80	2 457,01	2 412,30

#### **18. INFORMATION CONCERNING COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Public Limited Liability Company Snoras, following part 3 of article 21 of the Law on Securities of the Republic of Lithuania and point 20.5. of the trading rules of the Public Limited Liability Company Vilnius Stock Exchange, complies with major part of the provisions of the governance code regarding the companies whose securities are traded on the regulated market and being certified by VSE, except the following specific provisions:

##### 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.

**2.4.** 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.

**Explanation:** The supervisory board, the collegial supervisory body elected by the general shareholder's meeting, is set up in non-compliance with the manner defined in principles III and IV.

### Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting

The order of the formation of 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.

**3.6.** 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.

**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.

**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.

**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.

**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.

**Explanation:** The members of the Bank's Supervisory Board do not meet criteria of independence in the sense of this Code.

### 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.

**4.12.** Nomination Committee, key functions of the nomination committee.

**Explanation:** Nomination Committee is not set up in Bankas Snoras AB.

**4.15.** Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of the 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.

**Explanation:** The bank's supervisory board did not disclose information on its internal organization and working procedures.

### 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.

**Explanation:** The authorised capital of Bankas Snoras AB consists of the ordinary registered and non-voting preference registered 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.

**Explanation:** According to the Articles of Association of Bankas Snoras AB, making decisions about investment, transfer, lease, pledge, acquisition, etc. of the long-term assets the book value thereof exceeds 1/20 of the authorised capital of the company is beyond the scope of the activities of the general shareholders' meeting.

**6.7.** With a view to increasing the shareholders' opportunities to participate effectively at the 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.

**Explanation:** The Law on Companies of the Republic of Lithuania does not furnish the shareholders with the opportunity to vote in shareholders' meetings via terminal equipment of telecommunications.

#### 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.

**Explanation:** Bankas Snoras AB does not disclose the remuneration policy report.

#### Principle X: Information disclosure

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.

**10.5.** 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.

**Explanation:** The notices of Bankas Snoras AB about material events were announced not only before or after the trading sessions on the Vilnius Stock Exchange.

### **19. DATA ON INFORMATION THAT IS SUBJECT TO PUBLIC DISCLOSURE**

All Bank's notices that are to be made public by laws are published in newspaper "Respublika" at the time stated by laws and legal acts of the Republic of Lithuania. Information regarding the material events of the Bank is provided to the Lithuanian Securities Commission, the Vilnius Stock Exchange, Lithuanian News Agency ELTA and BNS, and is placed on the bank's website: [www.snoras.com](http://www.snoras.com).