

# **Bankas Snoras AB**

## **Interim Consolidated Financial Statements**

*For the 6-month period ended 30 June 2008*

*Prepared According to IAS 34 Interim Financial Reporting*

*Presented together with Independent Auditor's report*

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

We have audited the accompanying interim consolidated financial statements of the Bankas Snoras AB (the "Bank") together with its subsidiaries (the "Group"), which comprise Group's consolidated balance sheet as of 30 June 2008, the consolidated statements of income, changes in equity and cash flows for the 6-month period then ended, and 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 IAS 34 Interim Financial Reporting as adopted by the 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.

### *Auditors' 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 interim consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 30 June 2008, and its financial performance and their cash flows for the 6-month period then ended in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

UAB ERNST & YOUNG BALTIC

Audit company's licence No. 001335



Jonas Akelis  
Auditor's licence  
No. 000003



The audit was completed on 8 August 2008.

**CONSOLIDATED STATEMENTS OF INCOME**

(LTL thousand)

	<i>Notes</i>	<i>30 June 2008</i>	<i>31 December 2007</i>
<b>Assets</b>			
Cash and cash equivalents		2,233,368	3,099,436
Financial assets at fair value through profit or loss	4	698,928	848,053
Amounts due from credit institutions		254,216	438,360
Available-for-sale financial assets		971	33,835
Held-to-maturity financial assets		205,885	149,999
Loans to customers, net	5	4,687,146	4,086,816
Investment property		34,739	34,100
Property and equipment	6	226,273	203,232
Work in progress		84,087	43,503
Intangible assets	6	20,443	20,845
Deferred income tax assets		304	544
Other assets		71,873	38,261
<b>Total assets</b>		<b>8,518,233</b>	<b>8,996,984</b>
<b>Liabilities</b>			
Amounts due to credit institutions		194,217	519,312
Derivative financial liabilities		1,747	2,677
Amounts due to customers		6,879,025	7,017,321
Debt securities issued	10	624,791	639,920
Subordinated loans		112,042	114,379
Current income tax liabilities		6,302	8,490
Deferred income tax liabilities		15,715	11,718
Other liabilities		86,504	87,672
<b>Total liabilities</b>		<b>7,920,343</b>	<b>8,401,489</b>
<b>Equity</b>			
Share capital	11	253,354	253,354
Share surplus		99,137	99,137
Reserves		70,418	65,379
Retained earnings		123,288	123,864
<b>Total equity attributable to equity holders of the parent</b>		<b>546,197</b>	<b>541,734</b>
Minority interest		51,693	53,761
<b>Total equity</b>		<b>597,890</b>	<b>595,495</b>
<b>Total equity and liabilities</b>		<b>8,518,233</b>	<b>8,996,984</b>

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

President	Raimondas Baranauskas		8 August 2008
Chief Accountant	Zita Selenkoviene		8 August 2008

The accompanying notes on pages 7 to 15 are an integral part of these interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME

(LTL thousand)

	Notes	6-month period ended 30 June	
		2008	2007
<b>Interest income</b>			
On loans to customers		201,718	118,998
On debt securities acquired		19,048	24,423
On loans and placements with credit institutions		35,822	31,437
		<b>256,588</b>	<b>174,858</b>
<b>Interest expense</b>			
On deposits		(127,606)	(77,202)
On placements from credit institutions		(4,758)	(5,796)
On debt securities issued		(22,314)	(5,208)
On subordinated loans		(5,638)	(3,331)
		<b>(160,316)</b>	<b>(91,537)</b>
<b>Net interest income</b>		<b>96,272</b>	<b>83,321</b>
(Impairment) of interest earning assets	9	(4,123)	(377)
<b>Net interest income after impairment of interest earning assets</b>		<b>92,149</b>	<b>82,944</b>
Fee and commission income		59,724	55,649
Fee and commission expenses		(11,207)	(10,305)
<b>Net fee and commission income</b>		<b>48,517</b>	<b>45,344</b>
Gains and losses from securities at fair value through profit or loss		21,846	(7,407)
Gains and losses from derivative instruments		4,120	10,666
Gains and losses from foreign currencies		18,837	10,486
Gains and losses from sales of available-for-sale financial assets		(2,053)	(1,969)
Dividend income		72	27
Other income		1,562	4,539
<b>Other operating income</b>		<b>44,384</b>	<b>16,342</b>
Salaries and benefits		(68,226)	(48,318)
Depreciation and amortisation	6	(11,715)	(9,669)
Other operating expenses		(56,274)	(41,731)
Other (impairment and provisions) releases		-	50
<b>Operating expenses</b>		<b>(136,215)</b>	<b>(99,668)</b>
<b>Profit before income tax</b>		<b>48,835</b>	<b>44,962</b>
Income tax expense	7	(11,080)	(9,355)
<b>Profit for the period</b>		<b>37,755</b>	<b>35,607</b>
Attributable to:			
Equity holders of the parent		36,777	33,274
Minority interest		978	2,333
Basic and diluted earnings per share	12	0.16	0.18

The accompanying notes on pages 7 to 15 are an integral part of these interim consolidated financial statements.

**Bankas Snoras AB interim condensed consolidated financial statements  
for the 6-month period ended 30 June 2008**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(LTL thousand)*

**30 June 2008 and 2007**

	<i>Attributable to the equity holders of the parent</i>									
	<i>Share Capital</i>	<i>Share surplus</i>	<i>Reserve capital</i>	<i>Revaluation reserve of property and equipment</i>	<i>Revaluati on reserve of financial assets</i>	<i>Reserve of foreign currency translation</i>	<i>Other general reserves</i>	<i>Retained earnings</i>	<i>Minority interest</i>	<i>Total equity</i>
<b>31 December 2006</b>	<b>157,267</b>	<b>305</b>	<b>8,790</b>	<b>18,312</b>	<b>(2,650)</b>	<b>(174)</b>	<b>43,049</b>	<b>93,927</b>	<b>29,434</b>	<b>348,260</b>
Revaluation of available-for-sale financial assets	-	-	-	-	2,213	-	-	-	-	2,213
Revaluation of property and equipment	-	-	-	(2)	-	-	-	-	-	(2)
Reserve of foreign currency translation	-	-	-	-	-	67	-	-	-	67
Total income and expense recognised directly in equity	-	-	-	(2)	2,213	67	-	-	-	2,278
Net profit	-	-	-	-	-	-	-	33,274	2,333	35,607
<b>Total income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>2,213</b>	<b>67</b>	<b>-</b>	<b>33,274</b>	<b>2,333</b>	<b>37,885</b>
Increase of share capital (Note 11)	54,907	-	-	-	-	-	(39,020)	(15,887)	-	-
Increase of share capital of A/S „Latvijas Krājbanka“	-	-	-	-	-	-	-	-	1,714	1,714
Dividends	-	-	-	-	-	-	-	(25,061)	(2,364)	(27,425)
Transfer to reserve capital	-	-	7,400	-	-	-	-	(7,400)	-	-
Transfer to other general reserves	-	-	-	-	-	-	3,196	(3,196)	-	-
<b>30 June 2007</b>	<b>212,174</b>	<b>305</b>	<b>16,190</b>	<b>18,310</b>	<b>(437)</b>	<b>(107)</b>	<b>7,225</b>	<b>75,657</b>	<b>31,117</b>	<b>360,434</b>
<b>31 December 2007</b>	<b>253,354</b>	<b>99,137</b>	<b>16,190</b>	<b>41,975</b>	<b>(66)</b>	<b>56</b>	<b>7,224</b>	<b>123,864</b>	<b>53,761</b>	<b>595,495</b>
Revaluation of available-for-sale financial assets	-	-	-	-	66	-	-	-	-	66
Reserve of foreign currency translation	-	-	-	-	-	(2,377)	-	-	-	(2,377)
Total income and expense recognised directly in equity	-	-	-	-	66	(2,377)	-	-	-	(2,311)
Net profit	-	-	-	-	-	-	-	36,777	978	37,755
<b>Total income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>(2,377)</b>	<b>-</b>	<b>36,777</b>	<b>978</b>	<b>35,444</b>
Transfer to reserve capital	-	-	2,467	-	-	-	-	(2,467)	-	-
Transfer to other general reserves	-	-	-	-	-	-	4,883	(4,883)	-	-
Dividends	-	-	-	-	-	-	-	(30,003)	(3,046)	(33,049)
<b>30 June 2008</b>	<b>253,354</b>	<b>99,137</b>	<b>18,657</b>	<b>41,975</b>	<b>-</b>	<b>(2,321)</b>	<b>12,107</b>	<b>123,288</b>	<b>51,693</b>	<b>597,890</b>

The accompanying notes on pages 7 to 15 are an integral part of these interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(LTL thousand)

	<i>For the year ended</i>	
	<i>30 June</i>	
	<i>2008</i>	<i>2007</i>
<b>Cash flow from operating activities</b>		
Net result for the year	37,755	35,607
<b>Adjustments to reconcile net profit or loss to net cash provided by operating activities:</b>	<b>61,903</b>	<b>47,132</b>
Income tax expenses	11,080	9,355
Unrealised foreign currency gains and losses	11,006	8,415
Depreciation / amortisation	11,715	9,669
Impairment	4,123	377
<b>Operating</b>		
Change in accrued interest income	5,618	4,440
Change in accrued interest expenses	18,361	14,876
<b>Cash flows from operating profits before changes in operating assets and liabilities</b>	<b>99,658</b>	<b>82,739</b>
<b>(Increase) decrease in operating assets:</b>		
Decrease (increase) in balances with central banks	178,009	(283,460)
(Increase) in loans and receivables	(597,545)	(569,747)
Decrease (increase) in financial assets held for trading	146,032	(29,893)
(Increase) in other assets	(84,416)	(26,708)
<b>Increase (decrease) in operating liabilities:</b>		
(Decrease) in deposits from credit institutions	(327,462)	(388,987)
Increase (decrease) in deposits (other than from credit institutions)	(91,426)	512,410
(Decrease) in other financial liabilities	(2,978)	(11)
Income tax (paid)	(13,268)	(6,652)
<b>Cash flow to operating activities</b>	<b>(693,396)</b>	<b>(710,309)</b>
<b>Investing activities</b>		
Cash (payments) to acquire tangible assets	(32,582)	(30,597)
Cash (payments) to acquire intangible assets	(1,772)	(2,492)
Cash (payments) for the investment in subsidiaries, net of cash acquired	2,687	-
Sale of available-for-sale assets	10,534	781,220
Sale (purchase) of financial assets designated at fair value through profit or loss	15,799	(515,669)
Cash receipts (payments) to acquire held-to-maturity investments	(53,505)	52,507
<b>Cash flow from (to) investing activities</b>	<b>(58,839)</b>	<b>284,969</b>
<b>Financing activities</b>		
Dividends (paid)	(33,049)	(27,425)
Issue of debt certificates (including bonds)	6,096	636,951
(Repayments) of debt certificates (including bonds)	(21,225)	-
Cash proceeds from the issuance of subordinated liabilities	(2,254)	-
Cash proceeds from issuing shares or other equity instruments	-	139,304
<b>Cash flow from (to) financing activities</b>	<b>(50,432)</b>	<b>748,830</b>
Net (decrease) increase in cash and cash equivalents	(802,667)	323,490
Net foreign exchange difference	(63,401)	(11,738)
Cash and cash equivalents at beginning of the period	3,099,436	1,754,600
<b>Cash and cash equivalents at end of the period</b>	<b>2,233,368</b>	<b>2,066,352</b>

The accompanying notes on pages 7 to 15 are an integral part of these interim consolidated financial statements.

**Notes to the interim consolidated financial statements of Bankas Snoras AB  
for the 6-month period ended 30 June 2008**

(LTL thousand)

**1. Principal Activities**

**Bankas Snoras AB** (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 ("BoL"). The Bank's 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, Tallinn (Estonia) and 250 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.

<b>Shareholders (ordinary shares) of Bankas Snoras AB</b>	<b>30 June 2008, %</b>	<b>31 December 2007, %</b>
Mr. Vladimir Antonov, chairman of the Bank's Council	68.65	68.65
Mr. Raimondas Baranauskas, chairman of the Bank's Board	25.13	25.10
Other: number of shareholders/owned %	2.422/6.22	2.365/6.25
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

<b>Shareholders (preference shares) of Bankas Snoras AB</b>	<b>30 June 2008, %</b>	<b>31 December 2007, %</b>
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
Mp Fjarfestingarbanki Hf, clients	7.51	-
Medicinos bankas, UAB	6.66	-
Mr. Žilinskis Algirdas Liudvikas	5.64	5.64
Invertia, Ltd	0.54	-
Other: number of shareholders/owned %	305/14.73	305/29.43
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

As of 30 June 2008 the members of the Board of Directors and Management Board controlled 58,645,868 shares (25.13 %) of the Bank (2007 – 48,248,256 or 25.11%).

The authorized and issued share capital of the Bank consists of 233,354,240 ordinary shares with the par value of LTL 1 each and 2,000,000 preference shares with the par value of LTL 10 each. As of 30 June 2008 and 31 December 2007 all shares were fully paid.

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

<b>Subsidiary</b>	<b>Ownership %</b>		<b>Country</b>	<b>Industry</b>
	<b>June 2008</b>	<b>December 2007</b>		
Snoro Lizingas UAB	100%	100%	Lithuania	Consumer financing
Snoro rizikos kapitalo valdymas UAB*	100%	100%	Lithuania	Debt recovery
Vilniaus kapitalo vystymo projektai UAB	60%	60%	Lithuania	Real estate
Snoro Turto Valdymas UAB	100%	100%	Lithuania	Venture capital projects
Snoro Fondų Valdymas UAB	100%	100%	Lithuania	Fund management
Snoro Investicijų Valdymas UAB	100%	100%	Lithuania	Real estate
Snoras Capital Market ZAO*	99.98%	-	Russia	Fund management
Jarovit ZAO*	100%	-	Russia	Real estate
Latvijas Krājbanka A/S	76.03%	75.93%	Latvia	Banking
Krājinvestīcijas SLA*	76.03%	75.93%	Latvia	Real estate
Ieguldījumu Pārvaldes Sabiedrība LKB Asset Management*	76.03%	75.93%	Latvia	Fund management
Ieguldījumu Sabiedrība Astra Fondi A/S*	76.03%	75.93%	Latvia	Fund management
Pirmais Atklātais Pensiju Fonds A/S*	76.03%	75.93%	Latvia	Fund management
LKB Līzings SLA*	76.03%	75.93%	Latvia	Consumer financing

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

**Notes to the interim consolidated financial statements of Bankas Snoras AB  
for the 6-month period ended 30 June 2008**

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*(LTL thousand)*

As of 30 June 2008 the number of employees of the Group was 2,207 (1,973 - as of 31 December 2007 respectively).



**Notes to the interim consolidated financial statements of Bankas Snoras AB  
for the 6-month period ended 30 June 2008**

*(LTL thousand)*

**2. Basis of Preparation**

The interim consolidated financial statements for the 6-month period ended 30 June 2008 have been prepared in accordance with the IAS 34 Interim Financial Statements.

The interim consolidated financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 31 December 2007.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of the new standards and interpretations, noted below:

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments, to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this interpretation did not have any effect on the financial position or performance of the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The adoption of this interpretation did not have any effect on the financial position or performance of the Group.

The accompanying consolidated financial statements are presented in thousands of Lithuanian Litas (LTL), the local currency of the Republic of Lithuania (which is also Group's functional currency), except per share amounts and unless otherwise stated. Subsidiaries in Latvia maintain their records in Latvian Lat (LVL) and Subsidiaries in Russia maintain their records in Russian Roubles (RUB).

The comparative information of a 6-month period ended 30 June 2007 is adjusted to conform the presentation of financial information for current period. In year 2007 balance sheet of the Bank and the Group Work in progress (real estate assets under development with a purpose to sell) caption amounting to LTL 43,503 thousand was reclassified from Other assets to separate line.

**3. Business Combinations**

*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:

	<b>Recognised on acquisition</b>	<b>Carrying value</b>
Current assets	926	926
Non-current assets	586	479
	<u>1,512</u>	<u>1,405</u>
Current liabilities	466	466
Non-current liabilities	-	-
	<u>466</u>	<u>466</u>
Group's share of the fair value of net assets	1,046	
Goodwill arising on acquisition	-	
Consideration paid	<u>1,046</u>	

**Notes to the interim consolidated financial statements of Bankas Snoras AB  
for the 6-month period ended 30 June 2008**

*(LTL thousand)*

The total cost of the combination was LTL 1,046 thousand and was paid entirely in cash. The net cash inflow on acquisition was as follows:

Cash (paid)	1,046
Less: cash	(925)
Net cash outflow (inflow) due to acquisition	<u>121</u>

*JSC Transport company Yarovit*

On 19 June 2008 the Group company UAB Snoro turto valdymas bought 100% of JSC Transport company Yarovit acquiring 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:

	<b>Recognised on acquisition</b>	<b>Carrying value</b>
Current assets	10,105	10,105
Non-current assets	65,677	64,602
	<u>75,782</u>	<u>74,707</u>
Current liabilities	5	5
Non-current liabilities	69,562	69,562
	<u>69,567</u>	<u>69,567</u>
Group's share of the fair value of net assets	6,215	
Goodwill arising on acquisition	-	
Consideration paid	<u>6,215</u>	

The total cost of the combination was LTL 6,215 thousand and was paid entirely in cash. The net cash inflow on acquisition was as follows:

Cash (paid)	6,215
Less: cash	(9,023)
Net cash outflow (inflow) due to acquisition	<u>(2,808)</u>

From the date of the combination, the amounts contributed by JSC Imaco Trade Invest and JSC Transport company Yarovit to the net profit of the Group were not significant. If the business combinations had taken place at the beginning of the year, the revenues and the profit of the Group would not be materially different.

*UAB FMĮ Jūsų tarpininkas and UAB Jūsų tarpininko investicijų valdymas*

In July 2008 UAB Snoro turto valdymas got the permission from Securities Commission of the Republic of Lithuania for the purchasing of 66% shares of UAB FMĮ Jūsų tarpininkas and UAB Jūsų tarpininko investicijų valdymas. The transaction is expected to be completed till 1 September 2008. The companies principal activity is fund management.

*AP Anlage & privatbank AG*

The Group's company AS Latvijas Krājbanka has concluded a contract with AS Parex banka for the purchase of AP Anlage & privatbank AG shares. AP Anlage & privatbank AG is registered in Switzerland and is focused on individual client service, asset management and investment consultation on clients in Baltics and CIS countries.

The transaction will be made after the permission from the Swiss Federal Banking Commission is received, but not later than until January 24th 2009. After making the transaction, which includes settlements and settling of legal formalities, the AS Latvijas Krājbanka will become the holder of 100% or 100,000 shares of AP Anlage & privatbank AG, the nominal value of one share is 100 CHF.

**Notes to the interim consolidated financial statements of Bankas Snoras AB  
for the 6-month period ended 30 June 2008**

*(LTL thousand)*

*AAS Baltikums Dzīvība*

The Group's company AS Latvijas Krājbanka has concluded contract on acquisition of 2,511,895 or 99,79% shares of the insurance joint-stock company Baltikums Dzīvība for the total amount of LTL 13,322 thousand. The nominal value of one share is 1 LVL (4.9083 LTL). Registered and paid-in stock capital of AAS BALTIKUMS DZĪVĪBA comprises LTL 12,354 thousand. The transaction will be made after the permissions from controlling bodies are received, and all the necessary procedures and settlements are performed, but not later than within four months after the contract conclusion day.

**4. Financial Assets at Fair Value through Profit or Loss**

Financial assets at fair value through profit or loss comprise:

	<i>30 June 2008</i>	<i>31 December 2007</i>
Held for trading assets	115,077	263,948
Available for sale financial assets (designated as financial assets at fair value through profit or loss upon initial recognition)	583,851	584,105
<b>Financial assets at fair value through profit or loss</b>	<b>698,928</b>	<b>848,053</b>

**5. Loans to Customers, net**

Loans to customers comprise:

	<i>30 June 2008</i>	<i>31 December 2007</i>
Loans to customers	4,284,566	3,747,754
Credit lines	357,670	295,638
Promissory notes	8,156	7,407
Reverse repurchase agreements	53,406	54,489
Factoring	15,298	11,472
	<b>4,719,096</b>	<b>4,116,760</b>
Less – Allowance for loan impairment (Note 9)	(31,950)	(29,944)
<b>Loans to clients, net</b>	<b>4,687,146</b>	<b>4,086,816</b>

The management of the Group constantly monitors 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 may change assumptions underlying impairment assessment, which would result in change of impairment allowance. During 2008 these assumptions has not changed.

Loans are issued within the following industry sectors:

	<i>30 June 2008</i>	<i>31 December 2007</i>
Individuals	1,947,647	1,868,482
Real estate	728,087	588,753
Manufacturing	384,060	255,565
Trading	310,164	282,857
Transport	292,364	203,286
Construction	256,512	198,208
Services	246,677	218,078
Financial services	237,108	201,402
Agriculture and food processing	115,003	106,425
Electricity	25,528	32,370
Government and municipalities	24,478	24,221
Fuel, gas and chemical	5,737	3,473
Other	113,781	103,696
<b>Loans to customers, net</b>	<b>4,687,146</b>	<b>4,086,816</b>

**Notes to the interim consolidated financial statements of Bankas Snoras AB  
for the 6-month period ended 30 June 2008**

*(LTL thousand)*

Table below represents breakdown of loans to actual payable of the customer and accrued and / or impaired amounts:

	<u>30 June 2008</u>	<u>31 December 2007</u>
Unpaid principal	4,713,839	4,117,578
Accrued and unpaid interest	26,760	19,852
Deferred income	(21,503)	(20,670)
Impairment loss allowance	(31,950)	(29,944)
<b>Loans to clients, net</b>	<b><u>4,687,146</u></b>	<b><u>4,086,816</u></b>

Credit quality per loans are outlined below:

	<u>30 June 2008</u>	<u>31 December 2007</u>
Neither past due nor impaired	4,056,966	3,689,716
Past due not impaired	569,037	355,114
Individually impaired	61,143	41,986
<b>Loans to clients, net</b>	<b><u>4,687,146</u></b>	<b><u>4,086,816</u></b>

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

<i>Group</i>	<b>Past due but not impaired loans 30 June 2008</b>				
	<b>Less than 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>More than 91 days</b>	<b>Total</b>
Private individuals	200,648	39,647	17,762	9,939	267,996
Corporate clients	163,228	84,452	33,869	19,492	301,041
<b>Total</b>	<b><u>363,876</u></b>	<b><u>124,099</u></b>	<b><u>51,631</u></b>	<b><u>29,431</u></b>	<b><u>569,037</u></b>

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

**6. Property, Plant and Equipment and Intangible Assets**

During the 6-month period ended 30 June 2008 the Group has acquired property, plant and equipment for LTL 32,582 thousand (during the same period in 2007 respectively - LTL 33,655). In April 2008 Bankas Snoras AB purchased a building situated in France (LTL 11,997 thousand) and in June 2008 Latvijas Krājbanka A/S purchased building part with land situated in Latvia (LTL 13,258 thousand). The buildings will serve as the client service centres.

Depreciation expenses during the 6-month period ended 30 June 2008 in the Group amounted to LTL 9,542 thousand and amortisation of intangible assets – LTL 2,173 thousand (during the same period in 2007 respectively - LTL 7,951 thousand and LTL 1,719 thousand).

**Notes to the interim consolidated financial statements of Bankas Snoras AB  
for the 6-month period ended 30 June 2008**

(LTL thousand)

**7. Income Tax**

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	<i>6-month period ended 30 June</i>	
	<u>2008</u>	<u>2007</u>
Current income tax	6,861	9,625
Change in deferred income tax	4,219	(270)
<b>Income tax expenses</b>	<b><u>11,080</u></b>	<b><u>9,355</u></b>

**8. Segment Reporting**

For the purposes of this analysis, the Group's activities were divided into two main geographical segments: Lithuania (the Bank and its subsidiaries in Lithuania) and Latvia (Latvijas Krājbanka A/S and its subsidiaries in Latvia). 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.

	<i>Lithuania</i>		<i>Latvia</i>		<i>Eliminations</i>		<i>Group</i>	
	<i>6-month period ended 30 June</i>		<i>6-month period ended 30 June</i>		<i>6-month period ended 30 June</i>		<i>6-month period ended 30 June</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Total income from external customers	230,072	155,129	131,241	91,769	(618)	(580)	360,695	246,318
Total income from internal customers	476	345	142	235	(618)	(580)	-	-
Profit before tax	37,384	33,083	11,451	11,879	-	-	48,835	44,962
Income tax	(9,316)	(7,319)	(1,764)	(2,036)	-	-	(11,080)	(9,355)
<b>Profit</b>	<b><u>28,068</u></b>	<b><u>25,764</u></b>	<b><u>9,687</u></b>	<b><u>9,843</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>37,755</u></b>	<b><u>35,607</u></b>
Attributable to:								
Minority interest	(1,208)	-	2,186	2,333	-	-	978	2,333
Shareholders of the Bank	29,276	25,764	7,501	7,510	-	-	36,777	33,274

Business segments are not identified by the management of the Group, as the Group does not measure the performance according to the business lines.

**9. Allowances for Impairment and Provisions**

The movements in allowances for impairment of interest earning assets were as follows:

<b>31 December 2006</b>	<b>34,695</b>
Charge (reversal)	3,953
Write-offs	(2,370)
Effect of changes in currency rates	(11)
<b>30 June 2007</b>	<b><u>36,267</u></b>
<b>31 December 2007</b>	<b>29,944</b>
Charge (reversal)	5,512
Write-offs	(3,501)
Effect of changes in currency rates	(5)
<b>30 June 2008</b>	<b><u>31,950</u></b>

**Notes to the interim consolidated financial statements of Bankas Snoras AB  
for the 6-month period ended 30 June 2008**

*(LTL thousand)*

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

	<i>6-month period ended 30 June</i>	
	<u>2008</u>	<u>2007</u>
Charge (reversal)	5,512	3,953
Recoveries of loans previously written-off	(1,389)	(3,576)
<b>As reported in income statement</b>	<b><u>4,123</u></b>	<b><u>377</u></b>

## 10. Debt Securities Issued

As of 30 June 2008 the Group had the debt securities outstanding with the amortised cost in amount of LTL 639,920 thousand.

On 17 March 2008 the Bank issued equity linked notes, which profitability directly depends on the value change of shares or share indices, denominated in LTL, EUR and USD, with maturity of 3 years and the aggregate par value of LTL 3,662 thousand. The amortised cost of equity linked notes amounts to LTL 3,872 thousand as of 30 June 2008.

## 11. Equity

Movements in shares outstanding, issued and fully paid were as follows:

	<u>Number of shares</u>	<u>Par value</u>	<u>Issued/ 181 (days)</u>	<u>Weighted average of ordinary shares</u>
<b>Calculation of weighted average for 30 of June 2008</b>				
Shares issued as of 31 December 2007	233,354,240	1	181/181	233,354,240
<b>Shares issued as of 30 June 2008</b>	<b><u>233,354,240</u></b>	<b><u>1</u></b>	<b><u>181/181</u></b>	<b><u>233,354,240</u></b>
<b>Calculation of weighted average for 30 of June 2007</b>				
Ordinary shares issued as of 31 December 2006	13,726,720	10	181/181	13,726,720
Number of ordinary shares after share split	137,267,200	1	181/181	137,267,200
New issue of ordinary shares on 15 January 2007	54,906,880	1	161/181	48,839,821
<b>Ordinary shares issued as of 30 June 2007</b>	<b><u>192,174,080</u></b>	<b><u>1</u></b>	<b><u>181/181</u></b>	<b><u>186,107,021</u></b>

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

Notes to the interim consolidated financial statements of Bankas Snoras AB  
for the 6-month period ended 30 June 2008

(LTL thousand)

12. Earnings per Share

	6-month period ended 30 June	
	2008	2007
Net profit attributable to Bank shareholders	36,777	33,274
Profit attributable to ordinary shares *	36,777	33,274
Weighted average number of ordinary shares (thousand)	233,354	186,107
<b>Basic earnings per ordinary share (LTL)</b>	<b>0.16</b>	<b>0.18</b>
<b>Diluted earnings per ordinary share (LTL)</b>	<b>0.16</b>	<b>0.18</b>

\*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.

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.

13. Dividends per Share

	6-month period ended 30 June	
	2008	2007
Dividends paid for ordinary shares	28,003	23,061
Number of ordinary shares	233,354	192,174
<b>Dividends per ordinary share (LTL)</b>	<b>0.12</b>	<b>0.12</b>

In 2008 and 2007 dividends paid for preference shares amounted to LTL 2,000 thousand every year.

14. Commitments and Contingencies

*Legal*

In the ordinary course of business, the Group is 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.

*Financial commitments and contingencies*

The Group's financial commitments and contingencies comprised the following:

	30 June 2008	31 December 2007
<b>Credit related commitments</b>		
Credit commitments	493,103	511,222
Issued guarantees	192,196	47,694
	<b>685,299</b>	<b>558,916</b>
Less - Provisions	-	-
<b>Credit related commitments, net</b>	<b>685,299</b>	<b>558,916</b>

**Notes to the interim consolidated financial statements of Bankas Snoras AB  
for the 6-month period ended 30 June 2008**

*(LTL thousand)*

**15. Related Party Transactions**

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 outstanding balances of related party as of 30 June 2008 and 31 December 2007 are as follows:

	30 June 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	9,610	170	9,604	210
Deposits at the beginning of the period	69	5,590	87	437
Deposits at the end of the period	2,545	5,838	69	5,590

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

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

	6-month period ended 30 June	
	2008	2007
Salaries and other short-term benefits	2,544	1,559
Social security costs	543	336
<b>Total key management compensation</b>	<b>3,087</b>	<b>1,895</b>

As of 30 June 2008 Bank had the subordinated loan from main shareholder and the outstanding amount of subordinated loan, including accrued interest, amounted to LTL 70,186 thousand (31 December 2007 - LTL 70,198 thousand). The subordinated loan was received on 14 September 2005.

As of 30 June 2008 outstanding Group's balances with related legal entities were equal to LTL 202,352 thousand and LTL 15,315 thousand recorded respectively as amounts due from and due to these entities in Group's balance sheet (31 December 2007 - LTL 298,474 thousand and LTL 10,060 thousand recorded respectively as amounts due from and due to these entities in Group's balance sheet).

**16. Subsequent Events**

After the balance sheet date there were no significant events in the Group.