



BANKAS SNORAS AB

# Consolidated annual report for the year 2007



**CONTENTS**

CONTENTS.....	2
1. THE PERIOD REVIEWED IN THE ANNUAL REPORT.....	3
2. THE ISSUER AND ITS CONTACT INFORMATION.....	3
3. THE COMPOSITION OF THE GROUP.....	3
5. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES.....	5
6. DATA CONCERNING THE TRADING IN ISSUER’S SECURITIES AT THE REGULATED MARKETS .....	5
7. THE NUMBER AND NOMINAL PRICE OF THE SHARES BELONGING TO THE BANK AND ITS SUBSIDIARIES .....	5
8. OBJECTIVE REVIEW OF THE BANK’S STATUS, PERFORMANCE AND DEVELOPMENT, DESCRIPTION OF MAIN RISK TYPES .....	6
9. ANALYSIS OF FINANCIAL AND NON-FINANCIAL RESULTS OF THE ACTIVITY.....	8
10. REFERENCES AND ADDITIONAL EXPLANATIONS OF THE DATA PROVIDED IN THE ANNUAL FINANCIAL ACCOUNTS .....	9
11. INFORMATION ABOUT ONE’S OBTAINED AND TRANSFERRED SHARES .....	9
12. INFORMATION ABOUT THE BANK’S BRANCHES AND REPRESENTATIVE OFFICES .....	9
13. SIGNIFICANT EVENTS THAT HAVE TAKEN PLACE SINCE THE END OF THE LAST FINANCIAL YEAR	10
14. INFORMATION ABOUT COMPANY PLANS AND FORECASTS.....	10
15. THE STRUCTURE OF THE AUTHORIZED CAPITAL.....	11
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.....	11
17. DESCRIPTION OF THE RESTRICTIONS FOR FREE DISPOSAL OF SECURITIES.....	12
18. SHAREHOLDERS.....	12
19. NUMBER OF EMPLOYEES AT THE END OF THE TERMS.....	12
20. THE ORDER OF AMENDMENTS OF THE BANK’S ARTICLES OF ASSOCIATION.....	13
21. THE ORGANS OF THE BANK AND THEIR AUTHORITY .....	13
22. INFORMATION ABOUT THE ISSUER’S COLLEGIAL AUTHORITIES MEMBERS, HEAD OF THE COMPANY, THE CHIEF FINANSIST .....	16
23. INFORMATION CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES .....	18
24. DATA ON INFORMATION THAT IS SUBJECT TO PUBLIC DISCLOSURE.....	32
25. TRANSACTIONS WITH THE BANK RELATED PERSONS.....	33

## 1. THE PERIOD REVIEWED IN THE ANNUAL REPORT

The report covers the year 2007, all the figures are provided as of December 31, 2007 unless otherwise is stated. Bankas SNORAS AB can be referred to as the Bank or the Issuer herein as well.

## 2. THE ISSUER AND ITS CONTACT INFORMATION

Name of the Issuer:	AB bankas „Snoras“
Legal-organizational form:	Limited liability company
Registration date and place:	March 17, 1992, the Bank of Lithuania
Company (register) code:	112025973
Legal address:	A.Vivulskio 7, LT-03221 Vilnius
Authorized capital:	LTL 253 354 240
Phone numbers:	(8~5) 232 71 93
Fax numbers:	(8~5) 232 73 00
E-mail:	info@snoras.com
Internet site:	www.snoras.com

## 3. THE COMPOSITION OF THE GROUP

Name:	Snoro lizingas UAB
Legal-organizational form:	Limited liability company
Registration date and place:	30 April 1999, Register of Legal Persons, Lithuania
Company (register) code:	124926897
Legal address:	A. Goštauto 40A, LT-01112 Vilnius
Phone numbers:	(8~5) 219 74 00
Fax numbers:	(8~5) 249 76 76
E-mail:	info@sl.lt
Internet site:	www.sl.lt
Main activity:	Financial leasing

Name:	Snoro turto valdymas UAB
Legal-organizational form:	Limited liability company
Registration date and place:	18 December 2003, Register of Legal Persons, Lithuania
Company (register) code:	126403753
Legal address:	A.Vivulskio 7, LT-03221 Vilnius
Telephone numbers:	(8~5) 232 70 73
Main activity:	Financial intermediary work

Name:	Snoro fondų valdymas UAB
Legal-organizational form:	Limited liability company
Registration date and place:	4 March 1992, Register of Legal Persons, Lithuania
Company (register) code:	121262918
Legal address:	A.Vivulskio 7, LT-03221 Vilnius
Mailing address:	Gedimino pr. 26, LT-01104 Vilnius
Phone numbers:	(8~5) 232 72 37
Fax numbers:	(8~5) 232 73 29
E-mail:	invest@snoras.com
Internet site:	www.sfv.lt
Main activity:	Financial intermediary work

Name:	Snoro investicijų valdymas UAB
Legal-organizational form:	Limited liability company
Registration date and place:	14 February 2005, Register of Legal Persons, Lithuania
Company (register) code:	300088576
Legal address:	A.Vivulskio 7, LT-03221 Vilnius
Phone numbers:	(8~5) 275 27 56
Main activity:	Real estate operations

Name:	Vilniaus kapitalo vystymo projektai UAB
Legal-organizational form:	Limited liability company
Registration date and place:	17 November 2000, Register of Legal Persons, Lithuania
Company (register) code:	125427865
Legal address:	Švitrigailos 11A, LT-03228 Vilnius

Phone numbers:	(8~5) 262 22 26
Fax numbers:	(8~5) 262 22 26
E-mail:	info@vkv.lt
Internet site:	www.vkv.lt
Main activity:	Purchase and sale of real estate
Name:	Latvijas Krajbanka A/S
Legal-organizational form:	Public limited liability company
Registration date and place:	2 January 1924
Company (register) code:	40003098527
Legal address:	Jana Dalina 15, LV-1013 Riga, Latvia
Phone numbers:	(370~670) 92020
Fax numbers:	(370~670) 92070
E-mail:	info@lkb.lv
Internet site:	www.lkb.lv
Main activity:	Banking activity
Trading in securities	12 146 412 ordinary shares and 2 834 preference shares listed in the Riga Stock Exchange additional list.
Name:	AS "Pirmais Atklātais Pensiju Fonds"
Legal-organizational form:	Limited liability company
Registration date and place:	1998
Company (register) code:	40003377918
Legal address:	Jana Dalina 15, LV-1013 Riga, Latvia
Main activity:	Banking activity
Name:	SIA "LKB Līzings"
Legal-organizational form:	Limited liability company
Registration date and place:	2007
Company (register) code:	40003887450
Legal address:	Jēkaba 2, LV-1050 Rīga, Latvija
Main activity:	Financial leasing
Name:	AS "Ieguldījumu pārvaldes sabiedrība "Astra Krājfondi"
Legal-organizational form:	Public limited liability company
Registration date and place:	2006
Company (register) code:	40003605043
Legal address:	Jāņa Daliņa 15, LV-1013 Rīga, Latvija
Main activity:	Financial intermediary work
Name:	SIA "Krājinvestīcijas"
Legal-organizational form:	Limited liability company
Registration date and place:	2004
Company (register) code:	40003687374
Legal address:	Jēkaba g. 15, LV-1050 Rīga, Latvija
Main activity:	Purchase and sale of real estate
Name:	AS "Ieguldījumu pārvaldes sabiedrība „LKB Assets Management"
Legal-organizational form:	Public limited liability company
Registration date and place:	2006
Company (register) code:	40003818124
Legal address:	Jāņa Daliņa 15, LV-1013 Rīga, Latvija
Main activity:	Financial intermediary work
Name:	Snoro rizikos kapitalo valdymas UAB
Legal-organizational form:	Limited liability company
Registration date and place:	2007, Register of Legal Persons, Lithuania
Company (register) code:	301270560
Legal address:	A. Goštauto 40A, LT-01112 Vilnius
Main activity:	Debt administration

#### 4. 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 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 (safe-boxes rentals), securities accounting and financial brokerage, leasing products, factoring, investment, assets management and other services.

Retail banking is a strong side of Bankas SNORAS AB. The Bank has the most extensive and advanced customer service network in Lithuania consisting of 251 outlets. The network includes 10 regional branches, operating in each county of Lithuania, 10 branch outlets and 231 savings outlets. The Bank runs 333 ATMs.

#### 5. 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.

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

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

233 354 240 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 253 354 240.

3 500 Bank bonds were listed in on the main official non-equity list of the London Stock Exchange (each of EUR 50 000 nominal value), total nominal value of all the bonds listed in the Stock Exchange List was EUR 175 000 000.

Ordinary and preferred registered shares of the „Latvijas Krajbanka“ are traded on 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“.

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

The name of shares:	Snoro lizingas UAB ordinary share
The number of shares, (items):	100
Nominal value, (LTL):	50 000
Number of votes at meeting, (%):	100,00
The name of shares:	Vilniaus kapitalo vystymo projektai UAB ordinary share
The number of shares, (items):	42 833
Nominal value, (LTL):	100
Number of votes at meeting, (%):	60,00
The name of shares:	Snoro fondų valdymas UAB ordinary share
The number of shares, (items):	1 600
Nominal value, (LTL):	1 000
Number of votes at meeting, (%):	100,00
The name of shares:	Snoro turto valdymas UAB ordinary share
The number of shares, (items):	10 000
Nominal value, (LTL):	100
Number of votes at meeting, (%):	100,00

The name of shares:	Snoro investicijų valdymas UAB ordinary share
The number of shares, (items):	60 000
Nominal value, (LTL):	10
Number of votes at meeting, (%):	100.00
The name of shares:	Latvijas Krajbanka AS ordinary share
The number of shares, (items):	9 223 251
Nominal value, (LVL):	1
Number of votes at meeting, (%):	75.93
The name of shares:	Pirmais Atklātais Pensiju Fonds AS ordinary share
The number of shares, (items):	29 200
Nominal value, (LVL):	1
Number of votes at meeting, (%):	100.00
The name of shares:	LKB Līzings SIA ordinary share
The number of shares, (items):	1 200
Nominal value, (LVL):	100
Number of votes at meeting, (%):	100.00
The name of shares:	Ieguldījumu pārvaldes sabiedrība "Astra Krājfondi " AS ordinary share
The number of shares, (items):	240 000
Nominal value, (LVL):	1
Number of votes at meeting, (%):	100.00
The name of shares:	Ieguldījumu pārvaldes sabiedrība „LKB Assets Management“ AS ordinary share
The number of shares, (items):	120 000
Nominal value, (LVL):	1
Number of votes at meeting, (%):	100.00
The name of shares:	Krājinvestīcijas SIA ordinary share
The number of shares, (items):	50
Nominal value, (LVL):	100
Number of votes at meeting, (%):	100.00
The name of shares:	Snoro rizikos kapitalo valdymas UAB ordinary share
The number of shares, (items):	12 000
Nominal value, (LTL):	1 000
Number of votes at meeting, (%):	100.00

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

Bankas SNORAS, established as Šiauliai regional bank in 1992, was renamed as Bankas SNORAS AB in 1993. After fifteen 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, seven branch outlets, more than 220 territorial units and over 320 ATM machines, Bankas SNORAS AB 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 impressive growth tempos caused the international financial magazine The Banker to recognize Bankas SNORAS as one of the most speedily growing banks in the Central Europe in 2004. The Banker magazine also announced Bankas SNORAS the Bank of the Year 2006 in Lithuania.

The trends of the main strategic activity of Bankas SNORAS:

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

Bankas SNORAS AB has representative offices in the Kingdom of Belgium, Czech Republic, Estonia, Latvia, Ukraine and Belarus. Bankas SNORAS owns the controlling block of shares of Latvijas Krajbanka – the oldest Latvian bank with the largest network.

Bankas SNORAS AB manages five subsidiary companies in the country: Snoro lizingas UAB (SNORAS leasing), Snoro turto valdymas UAB (SNORAS property), Snoro investicijų valdymas UAB (SNORAS investment), Snoro fondų valdymas UAB (SNORAS asset management) and Vilniaus kapitalo vystymo projektai UAB (SNORAS development) which provide Lithuanian and Baltic market participants with real

estate management, constructions and renovation, money, leasing and securities funds management services.

Bankas SNORAS AB is the fourth bank in Lithuania according to the capital volume and the fifth bank according to the managed property. More than 920 thousand clients use the bank's services. The slogan "My closest bank" reflects Bankas SNORAS striving to become close to every customer.

In 2007 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 17.8% (19.1% in 2006), ROE of the Group was 15.5% (21.9 in 2006); ROA of the Bank reached 1.4% (1.4% in 2006), ROA of the Group was 0.9% (1.1% in 2006).

In 2007 the Bank kept up with all the standards of risk management:

- ➔ The adequacy ratio of the Bank's capital was 11.72%.
- ➔ The liquidity ratio of the Bank was 50.63%.
- ➔ Maximum open position in foreign currencies of the Bank was 1.49%.
- ➔ 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.

### **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.

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 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.

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 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.

### 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 2007 (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 2007.

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 2007.

The main interest rate risk management measure is interest rate gap report. The Bank was mostly issuing loans with variable interest rate in 2007.

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 2007.

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

In 2007 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 Fondu Valdymas UAB, Snoro Investicijų Valdymas UAB and Vilniaus Kapitalo Vystymo Projektai UAB.

Financial results of 2007 demonstrate effective performance of the Bank and the Group.

According to the audited data, within 2007 the assets of the Bank increased by 36.62% up to LTL 5 754 million, the assets of the Group increased by 37.58 % up to LTL 8 997 million. The authorized capital of the Bank and the Group amounted to LTL 253 million.

In 2007 the Bank earned LTL 71.72 million of gross profit, the Group – LTL 72.92 million, it is correspondingly 38.3 and 11.6% more than in 2006.

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 thousand)

	Group		Bank	
	2006	2007	2006	2007
31 December				
Assets	6 539 480	8 996 984	4 211 407	5 753 774
Liabilities	6 191 220	8 401 489	3 910 463	5 249 290
Equity attributable to shareholders of the Group	318 826	541 734	300 944	504 484
Minority interest	29 434	53 761	-	-
Total equity	348 260	595 734	300 944	504 484
Total equity and liabilities	6 539 480	8 996 984	4 211 407	5 753 774



## Income (loss) statement of the Group and the Bank (LTL thousand)

31 December	Group		Bank	
	2006	2007	2006	2007
Interest income	270 727	425 620	149 708	233 951
Interest expense	119 500	229 218	(83 010)	146 003
Net interest income	151 227	196 402	66 698	87 948
(Impairment) of interest earning assets	(8 659)	(1 271)	(204)	11 476
Net interest income after impairment of interest earning assets	142 568	195 131	66 494	99 424
Fee and commission income	93 881	103 151	68 795	72 168
Fee and commission expenses	18 336	24 129	7 805	8 910
Net fee and commission income	75 545	79 022	60 990	63 258
Other income	32 923	32 863	22 739	30 321
Operating expenses	171 967	215 104	88 320	107 649
Profit before tax	79 069	91 912	61 903	85 354
Income tax expense	14 090	18 995	10 047	13 631
Profit of the subsidiary company up for sale	356	-	-	-
Profit	65 335	72 917	51 856	71 723
Attributable to:				
Minority interest	3 691	5 545	-	-
Profit attributable to the shareholders of the Bank	61 644	67 372	51 856	71 723

## Profitability indexes of the Bank and the Group (31 December, 2007):

Pelningumo rodikliai	Grupė (%)	Bankas(%)
ROE	15,5	17,8
ROA	0,9	1,4
Net interest income / OR*	65,3	52,0
Net fee and commission income / OR	26,5	33,1
The result of the operations with foreign currency / OR	9,9	5,5
The result of the operations with securities / OR	(1,7)	9,4
Part of operating costs in total amount of costs	45,8	42,9
Operating expenses / OR	72,0	56,3

\* - Operating Result

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

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

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

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

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

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

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

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

Utena branch  
Maironio st. 12, 28143 Utena  
8 ~ 389 62 292, 8 ~ 389 62 293  
sekret.ute@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.Marksa 15, Minsk, Byelorussia  
Tel. +375172261359

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

No significant event, which could affect the results of the Bank activity, took place since the end of the last financial year.

**14. INFORMATION ABOUT COMPANY PLANS AND FORECASTS**

In 2008, Bankas SNORAS will be expanding its activity both in Lithuania and abroad endeavouring to hold the present market shares and, having an opportunity, to enlarge them.

In the local market, the Bank will be improving and optimizing the present customer service network and its arrangement. It is anticipated that 10-15 new mini-banks and branch outlets will be established during 2008. These actions will improve the quality of the customer service and will create conditions for increasing the sales of the Bank's products. Thereinafter a lot of attention will be devoted to attracting business clients and to versatile services.

The Bank's decisions and performed actions in 2007 are a good basis for activating the Bank's development abroad. In the nearest future, the Bank will be establishing its representative offices and branches in foreign countries. First of all, it is anticipated that the Bank's branches will be opened in London (the United Kingdom of Great Britain and Northern Ireland) and in Tallinn (Republic of Estonia). Active discussions are carried out about the possibility to establish the Bank's branches in Limassol (Republic of Cyprus), Luxembourg (the Grand Duchy of Luxembourg), Brussels (the Kingdom of Belgium) and Prague (Czech Republic). The Bank's representative office in Shanghai (People's Republic of China) will commence its activity in 2008.

Bankas SNORAS will also be expanding its activity via the Bank's subsidiary companies. It is planned that Latvijas Krājbanka AS functioning in the Republic of Latvia as well as other subsidiary enterprises will be actively developing the volumes of their activity. The Bank constantly analyses the current situation in the market and, when favourable circumstances arise, it is ready to make investments in possible acquirement of subsidiary banks and establishment of its branches 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.

Accordingly, taking into consideration the dynamics of the sources of financing, in 2008 the Bank anticipates to grow approximately by one-fifth, and should favourable conditions arise – by one-fourth. In all cases, it is planned that the relative profitability rates of the Bank will remain at the level of 2007.

## 15. THE STRUCTURE OF THE AUTHORIZED CAPITAL

		<u>31-12-2007</u>	<u>Per cent in capital</u>
a) The number of issued shares:	ordinary registered	233 354 240	92,11 %
	preferred registered	2 000 000	7,89 %
b) Nominal value of one share:	ordinary registered	LTL 1.00	
	preferred registered	LTL 10	

## 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:

#### 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.

### 18. SHAREHOLDERS

The shareholders who by ownership have more than 5 % of the authorised capital of the Bank on 31 December 2007:

Shareholder	Number of available shares		Equity capital/ share of votes, %
	Preference	Ordinary	
Vladimir Antonov	0	160 188 977	63,23/68,65
Raimondas Baranauskas	200 000	58 582 255	23,91/25,10

At the end of the reference period the Bank had 2 508 shareholders, 2 371 of them had shares entitling to voting rights.

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

### 19. NUMBER OF EMPLOYEES AT THE END OF THE TERMS

	<u>31-12-2007</u>	<u>31-12-2006</u>
Total number of employees	1 171	1 049
Thereof:		
Leading executives	95	70
Specialists	971	874
Other employees	105	105
Education:		
Higher	851	629
Special secondary (further)	250	320
Secondary	70	100
Average gross wage, LTL:	3 409,40	2 808,80

## 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 the meeting has a right to:

- elect members of the Bank's Supervisory Board;
- dismiss the Bank's Supervisory 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 Management 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 concerning 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, arbitration, 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 FINANCIST

### 19.1. Capacity, full names and personal codes of members of collegial authorities:

#### Supervisory board of the Bank:

Vladimir Antonov - Supervisory board chairman

#### Members:

Aleksandr Antonov - Supervisory board member  
 Dmitrij Jakovlev - Supervisory board member  
 Maksim Safonov - Supervisory board member  
 Oleg Suchorukov - Supervisory board member  
 Andrej Vernikov - Supervisory board member  
 Michael D. Chartres - Supervisory board member

#### Board of the Bank:

Raimondas Baranauskas - Board chairman (head of administration)

#### Members:

Naglis Stancikas - Deputy board chairman  
 Žoržas Šarafanovičius - Deputy board chairman  
 Romasis Vaitekūnas - Deputy board chairman  
 Aušra Ižičkienė - Board member  
 Modestas Keliauskas - Board member  
 Gitanas Kancerevyčius - Board member

#### Head of company:

Raimondas Baranauskas - President of the Bank

#### Senior financist:

Zita Selenkovienė - Chief Financial Officer

### 19.2. Data on participation in the authorized capital of the issuer:

	<u>Number of available shares</u>		Equity capital/ share of votes, %
	Preference	Ordinary	
<u>Supervisory Board of the Bank:</u>			
Vladimir Antonov	-	160 188 977	63,23/68,65
Aleksandr Antonov			Does not participate in bank capital
Dmitrij Jakovlev			Does not participate in bank capital
Maksim Safonov			Does not participate in bank capital
Oleg Suchorukov			Does not participate in bank capital
Andrej Vernikov			Does not participate in bank capital
Michael D Chartres			Does not participate in bank capital
<u>Bank Board:</u>			
Raimondas Baranauskas	200 000	58 582 255	23,91/25,10
Naglis Stancikas	-	126	<0,0001
Žoržas Šarafanovičius			Does not participate in bank capital
Romasis Vaitekūnas	-	1 960	<0,001
Aušra Ižičkienė			Does not participate in bank capital
Modestas Keliauskas			Does not participate in bank capital
Gitanas Kancerevyčius			Does not participate in bank capital
<u>The Chief Financial Officer</u>			
Zita Selenkovienė			Does not participate in bank capital



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

Supervisory board of the Bank

		Beginning of the term of office	End of the term of office
Chairman:	Vladimir Antonov	11-06-2007	11-06-2011
Members:	Aleksandr Antonov	11-06-2007	11-06-2011
	Dmitrij Jakovlev	11-06-2007	11-06-2011
	Maksim Safonov	11-06-2007	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

		Beginning of the term of office	End of the term of office
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
	Gitanas Kancerevyčius	05-06-2007	05-06-2011

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

	The Supervisory Board of the Bank	The Board of the Bank
Total accrued amount of money	350 000	3 163 268
To one member on the average	50 000	451 895
	Head of the company	Chief financial officer
Accrued amount of money	1 064 131	356 745

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

The limited liability company Bankas 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 the Vilnius Stock Exchange, 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 APPLICABL E	COMMENTARY
<b>Principle I: Basic Provisions</b>		
<b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
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.
<b>Principle II: The corporate governance framework</b>		
<b>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.</b>		
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 applicable	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.

<p>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.</p>	<p>Yes</p>	<p>Both the supervisory board and the Bank management board have 7 (seven) members each.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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 depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>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.</p>

**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.**

<p>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.</p>	<p>Yes</p>	<p>The mechanism of the formation of the supervisory board is ensured by the objective and fair monitoring. The minority shareholders are not limited in their right and opportunity to have their representative in the supervisory body.</p>
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her</p>	<p>Yes</p>	

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.

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:

Yes

1) 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;

2) 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;

3) 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);

4) 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);

5) 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;

6) 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;

7) 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;

8) He/she has not been in the position of a member of the collegial body for over than 12 years;

9) 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.

<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	<p>The members mentioned in clause 3.6 are considered to be independent members, as they meet the independence criteria set out in the Code.</p>
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	<p>At the extraordinary general shareholders' meetings as of 12 October 2007 "The order of the remuneration for the Bankas Snoras supervisory board" was approved.</p>

**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.**

<p>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.</p>	<p>Yes</p>	
<p>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).</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>

<p>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.</p>	<p>Yes</p>	<p>The collegial body of the Bank treats all the company's shareholders impartially and fairly.</p>
<p>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.</p>	<p>Yes</p>	
<p>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 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.</p>	<p>Yes</p>	<p>The bank's supervisory board is independent in passing decisions that are significant for the Bank's operations and strategy.</p>
<p>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.</p>	<p>Yes</p>	<p>Two committees are formed in the Bank: the internal audit committee as well as the nomination and remuneration committee.</p>
<p>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.</p>	<p>Yes</p>	
<p>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</p>	<p>No</p>	<p>The internal audit committee is formed of three members, one of whom is considered to be independent. The nomination and remuneration committee is formed of four member, one of</p>

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.

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.

Yes

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.

whom is considered to be independent. The composition of the committees was formed considering the banking sector experience of the members, not their independence.

The Bank has a formed nomination and remuneration committee which performs all the functions mentioned in clause 4.12.

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.

4.13. Remuneration Committee.

Yes

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

The Bank has a formed nomination and remuneration committee which performs all the functions mentioned in clause 4.13.

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;
- 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;

Yes The Bank has a formed internal audit committee which performs all the functions mentioned in clause 4.14.



- 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 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.**

<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	<p>The meetings of the supervisory board are convened at least once a quarter, the meetings of the management board – at least once a fortnight.</p>
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	

**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.**

<p>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.</p>	<p>No</p>	<p>The bank capital comprises ordinary and preferred shares.</p>
<p>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.</p>	<p>Yes</p>	<p>The bank informs the investors publicly of the rights of the new or the issued shares.</p>
<p>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.</p>	<p>No</p>	<p>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.</p>

<p>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.</p>	<p>Yes</p>	<p>The Bank ensures equal opportunities for the shareholders to participate at the meetings and does not prejudice the rights and interests of the shareholders.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>No</p>	<p>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.</p>

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**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.**

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<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	

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: <ul style="list-style-type: none"> <li>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>• Sufficient information on the linkage between the remuneration and performance;</li> <li>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>• A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> </ul>	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.	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 administration.
8.7.1. The following remuneration and/or emoluments-related information should be disclosed: <ul style="list-style-type: none"> <li>• The total amount of remuneration paid or due to the director for</li> </ul>		

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.

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.**

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> <li>• The financial and operating results of the company;</li> <li>• Company objectives;</li> <li>• Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>• Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>• Material foreseeable risk factors;</li> <li>• Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>• Material issues regarding employees and other stakeholders;</li> <li>• Governance structures and strategy.</li> </ul>	Yes	
<p>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.</p>		
<p>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.</p>	Yes	
<p>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.</p>	Yes	
<p>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.</p>	Yes	
<p>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.</p>	No	<p>The importance of events is taken into consideration, at times the Bank announces the material events during the trading session.</p>
<p>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.</p>	Yes	<p>The information at the bank's website is published in Lithuania, English and Russian languages.</p>
<p>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.</p>	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**

15.01.2007	The Articles of Association of Bankas SNORAS AB were registered in the Register of Legal Entities with the authorized capital which was increased up to LTL 212 174 080.
23.01.2007	The unaudited profit of the Bank equals LTL 52.3 million.
24.01.2007	Concerning the planned excess of profit by more than 10 per cent.
06.02.2007	On 05.02.2007 the Board of the Bank adopted a decision to transfer the proprietary right to the bank Conversbank (UK) Limited.
07.02.2007	Upon the decision of the Bank's Board, an ordinary general shareholders' meeting is convened on 14.03.2007.
20.02.2007	On 19.02.2007 Vladimir Antonov, the Chairman of the Bank's Supervisory Board, and Raimondas Baranauskas, the President of the Bank, obtained the proprietary right to 160 947 150 registered ordinary shares, which comprises 83.75 per cent of all votes at the general shareholders' meeting.
05.03.2007	The resolution drafts of the general shareholders' meeting are announced.
06.03.2007	For payment of dividends, the Board of the Bank suggested to allocate LTL 1.00 for one preferred share and LTL 0.12 for one ordinary share.
14.03.2007	The general shareholders' meeting decided to increase the authorized capital by issuing preferred shares of LTL 50 000 000 Lt nominal price, and approved the annual accountability and profit allocation.
12.04.2007	The preliminary result of the 3-month activity – LTL 13.759 million of unaudited net profit.
19.04.2007	It is decided to issue a 3-year Eurobonds emission, which is planned to be listed at London Stock Exchange.
08.05.2007	The first stage of distributing 41 180 160 of ordinary shares is commenced on 09.05.2007.
11.05.2007	The Bank distributed a 3-year emission of Eurobonds whose nominal value is EUR 175 million.
21.05.2007	The result of the 3-month activity of the Bank's group comprises LTL 17.8 million of unaudited net profit.
22.05.2007	The sale of the Bank's Eurobonds began at London Stock Exchange.
01.06.2007	The circulation of the Bank's subscription rights expires on 01.06.2007.
01.06.2007	The Bank's quarterly report is announced
06.06.2007	The intermediary abridged financial accountability is announced
06.06.2007	The Bank's Supervisory Board approved the new composition of the Bank's Board.
12.06.2007	The second stage of distributing 41 180 160 of ordinary shares is commenced on 13.06.2007. 40 809 585 shares were distributed in the first stage.
02.07.2007	The third stage of distributing 41 180 160 of ordinary shares is commenced on 03.07.2007. 162 196 shares were distributed in the second stage.
11.07.2007	The distribution of 41 180 160 ordinary shared terminated.



12.07.2007	The result of the 6-month activity of the Bank comprises LTL 32.53 million of unaudited net profit.
19.07.2007	The Board of the Bank decided to establish a branch in London on 18.07.2007.
26.07.2007	The result of the 6-month activity of the Bank's group comprises LTL 35.24 million of unaudited net profit.
08.08.2007	The intermediary abridged 6-month financial accountability is announced.
17.08.2007	The Articles of Association of Bankas SNORAS AB were registered in the Register of Legal Entities with the authorized capital which was increased up to LTL 253 354 240.
05.09.2007	An extraordinary general shareholders' meeting is convened on 12.10.2007.
18.09.2007	The Board of the Bank decided to establish a branch in Tallinn.
02.10.2007	The resolution drafts of the extraordinary general shareholders' meeting are announced.
03.10.2007	The Board of the Bank decided to establish a representative office in Shanghai on 02.10.2007.
12.10.2007	The general shareholders' meeting decided to recognize the resolutions of the ordinary general shareholders' meeting as of 14 March 2007 to be expired concerning the increase of the Bank's authorized capital by additional contributions and partial amendments of the Bank's Articles of Association in the section on the volume of the Bank's authorized capital.
23.10.2007	The result of the 9-month activity of the Bank comprises LTL 36.017 million of unaudited net profit. The Bank group's profit is LTL 44.823 million.
08.11.2007	The result of the 10-month activity of the Bank comprises LTL 46.2 million of unaudited net profit.
14.11.2007	The international rating agency Fitch Ratings affirmed the Bank's ratings at Long-term Issuer Default "BB-" and it changed the outlook from negative to positive.
03.12.2007	The intermediary abridged 9-month financial accountability is announced.
11.12.2007	The Bank's group signed a preliminary intention agreement concerning possible investments into Spyker Cars N.V. – the manufacturer of deluxe sports cars.
21.12.2007	The Bank's group signed an agreement with Spyker Cars N.V. – the manufacturer of deluxe sports cars – according to which the Bank's group will obtain 29.8 per cent of Spyker Cars N.V. shares before the end of January 2008.
28.12.2007	Upon the resolution of the Board as of 27.12.2007, it was decided to sell 40 per cent of the shareholding of Vilniaus kapitalo vystymo projektai UAB.

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, news agency ELTA and BNS and is also published at the website [www.snoras.lt](http://www.snoras.lt)

## 25. TRANSACTIONS WITH THE BANK RELATED PERSONS

Group	31 December 2007		31 December 2006	
	Shareholders	Administration managers*	Shareholders	Administration managers*
The balance of the issued loans in the beginning of the period, net value	-	1.097	-	1.173
The balance of the issued loans at the end of the period, net value	9.604	210	-	1.097
Funds in the banks in the beginning of the period	-	-	143.670	-
Funds in the banks at the end of the period	-	-	52.311	-
Debts to the banks in the beginning of the period	-	-	2.131	-
Debts to the banks at the end of the period	-	-	1.716	-
Deposits in the beginning of the period	87	437	4	1.070
Deposits at the end of the period	69	5.590	87	437

- \* administration manager and his deputies

Bank	31 December 2007			31 December 2006		
	Shareholders	Subsidiary companies	Administration managers*	Shareholders	Subsidiary companies	Administration managers*
The balance of the issued loans in the beginning of the period, net value	-	204.936	342	-	233.574	375
The balance of the issued loans at the end of the period, net value	9.604	281.844	200	-	204.936	342
Funds in the banks in the beginning of the period	-	33.465	-	38.881	29	-
Funds in the banks at the end of the period	-	21.871	-	10.487	33.465	-
Debts to the banks in the beginning of the period	-	755	-	297	59	-
Debts to the banks at the end of the period	-	138	-	692	755	-
Deposits in the beginning of the period	87	1.307	209	4	5.052	1.069
Deposits at the end of the period	69	4.984	5.469	87	1.307	209

On 14 September 2005, the Bank received a subordinated loan from the main shareholder; its amount, including the accrued interest, comprised LTL 70.198 thousand on 31 December 2007 (LTL 70.002 thousand – on 31 December 2006).

In November 2007, the Bank sold a part of the loans to the Group's subsidiary company Snoro rizikų kapitalo valdymas UAB (SNORAS Capital Risk Management). The amount of the transaction made up LTL 13.932 thousand.

On 5 February 2007, the Bank transferred all rights and obligations related to Conversbank (UK) to Mr. V. Antonov, the main shareholder of the Group. The company was transferred for the balance sheet value.