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INDEPENDENT AUDITORS' REPORT

To the shareholders of AB Bankas Snoras:

We have audited the accompanying balance sheet of AB Bankas Snoras (the Bank) as of 31 December 1999 and the related statements of profit and loss, shareholders' investment and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Bank as of 31 December 1998 were audited by other auditors whose report dated 9 April 1999 expressed an unqualified opinion, including a matter of emphasis regarding certain related party transactions having a significant effect on the financial position of the Bank for the year ended 31 December 1998.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of 31 December 1999, and the results of its operations and cash flows for the year then ended in accordance with International Accounting Standards.

Deloitte & Touche

Deloitte & Touche
Vilnius, Lithuania
10 March 2000

Balance sheets

as of 31 December 1999 and 1998
(LTL'000)

	Notes	1999	1998
Assets			
Cash		33,163	28,802
Due from Bank of Lithuania	2	32,048	22,200
Due from other banks, net	3	78,740	129,766
Loans and advances to customers, net	4	223,607	88,926
Investments	5	41,094	67,071
Fixed assets, net	6	89,921	91,237
Other assets, net	7	6,662	72,946
Total assets		**505,235**	**500,948**
Liabilities			
Subordinated debt	8	1,400	1,400
Due to other banks	9	22,720	8,328
Current and term deposit accounts	10	301,136	328,124
Other liabilities	11	23,387	16,686
Deferred tax	18	1,513	-
Total liabilities		**350,156**	**354,538**
Shareholders' equity			
Share capital	12	49,024	49,024
Legal reserve		1,048	1,048
Share premium		88,548	88,548
Retained earnings		16,459	8,002
Total shareholders' equity		**155,079**	**146,622**
Less: treasury shares		-	(212)
Total shareholders' equity, net		**155,079**	**146,410**
Total liabilities and shareholders' equity		**505,235**	**500,948**

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

The financial statements were approved by the Management Board on 10 March 2000 and signed on its behalf by:

R.Baranauskas
Chairman of the Board

Y.Borodulin
Deputy Chairman of the Council

Z.Selenkovienė
Chief Financial Officer

Statements of profit and loss

for the years ended
31 December 1999 and 1998
(LTL'000)

	Notes	1999	1998
Interest income	13	65,145	33,544
Interest expense	14	(15,036)	(20,241)
Net interest income		**50,109**	**13,303**
Fees and commission income, net		12,151	12,451
Foreign exchange (loss) gain, net	15	(1,620)	33,854
Income from investment activities		3,053	12,989
Other operating income		1,830	7,075
Total income		**65,523**	**79,672**
Reversal of provisions (provisions) for losses, net		119	(5,191)
Net income after provision		**65,642**	**74,481**
Salaries and related social expenses	16	26,118	34,465
Depreciation and amortization expenses	6	8,989	7,403
Other administrative expenses	17	19,550	24,951
Profit before taxation		**10,985**	**7,662**
Current income tax	18	(1,306)	340
Deferred income tax	18	(1,513)	-
Net profit		**8,166**	**8,002**
Basic Earnings Per Share (in LTL)		**0.60**	**0.67**
Diluted Earnings Per Share (in LTL)		**0.59**	**0.60**

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R.Baranauskas
Chairman of the Board

Y.Borodulin
Deputy Chairman of the Council

Z.Selenkovienė
Chief Financial Officer

Statements of shareholders' investment

for the years ended
31 December 1999 and 1998
(LTL'000)

	Share Capital	Legal reserve	Share premium	Own shares	Retained earnings	Total
At 31 December 1997	**27,000**	**1,019**	**452**	**(212)**	**1,088**	**29,347**
Issuance of shares	22,024	-	88,096	-	-	110,120
Net profit	-	-	-	-	8,002	8,002
Transfer to legal reserve	-	29	-	-	(29)	-
Dividends paid	-	-	-	-	(1,059)	(1,059)
At 31 December 1998	**49,024**	**1,048**	**88,548**	**(212)**	**8,002**	**146,410**
Sale of treasury shares	-	-	-	212	291	503
Net profit	-	-	-	-	8,166	8,166
At 31 December 1999	**49,024**	**1,048**	**88,548**	**-**	**16,459**	**155,079**

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

Statements of cash flows

for the years ended
31 December 1999 and 1998
(LTL'000)

	1999	1998
Cash flow from operating activities		
Interest received	60,241	32,409
Interest paid	(15,343)	(16,406)
Repayment of loans previously written-off	83	5,620
Net receipts from operations with foreign currency	10,418	33,854
Net receipts from operations with securities	3,053	12,989
Net receipts for services and commission	12,151	12,214
Cash payments of salaries and associated payments	(26,523)	(35,033)
Other payments	(15,443)	(22,483)
Net cash provided by operating activities before change in operating assets	**28,637**	**23,164**
Changes in operating assets and liabilities:		
Balances with the Bank of Lithuania	(6,390)	(9,245)
Balances with other banks	9,893	128,884
Net sale (purchase) of investments	18,085	(42,512)
Loans and advances to customers, net of sale	(134,650)	(53,934)
Accrued income and other current assets, net of sale	64,089	171,502
Deposits	(26,988)	(149,049)
Other liabilities	1,443	(40,591)
Net cash (used in) provided by operating activities	**(45,881)**	**28,219**
Cash flow from investing activities		
Additions of fixed assets, net of disposals	(6,983)	(22,388)
Net cash used in investing activities	**(6,983)**	**(22,388)**
Cash flow from financing activities		
Issuance of shares	-	22,024
Term bills	3,368	-
Term bills' interests	(8)	-
Other financing received	-	88,096
Sale of treasury shares	503	-
Dividends paid	-	(1,059)
Net cash provided by financing activities	**3,863**	**109,061**
Net (decrease) increase in cash and cash equivalents	**(49,001)**	**114,892**
Cash and cash equivalents at the beginning of the year	**160,351**	**45,459**
Cash and cash equivalents at the end of the year	**111,350**	**160,351**
Cash and cash equivalents consist of:		
Cash	33,163	28,802
Correspondent accounts and demand deposits from other banks due within 3 month	74,440	129,766
Treasury bills with maturity less than 3 month	289	1,783
Balances with Bank of Lithuania other than compulsory reserves	3,458	-

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

1

ACCOUNTING POLICIES

General information
The AB Bankas Snoras (the Bank) was established on 17 March 1992. The Bank's main office is located in Vilnius. The Bank has 10 branches in Lithuania. The Bank offers extensive banking services: accepts deposit from the public, grants loans, provides short term trade finance and consults clients, international payments, issues and processes magnetic and microchip payment cards, exchanges currency and provides other services.
There is one shareholder owning more than 10% of ownership interest in the Bank. As of 31 December 1999 one shareholder held 49.9% of shares.
The significant accounting policies adopted by AB Bankas Snoras are set out below.

Basis of preparation
The financial statements have been prepared on the historical cost basis of accounting, in accordance with International Accounting Standards (IAS) and general practices within the banking industry. The following summarizes the more significant of these policies.

Interest, fees and commissions
Interest income is recognized on the accrual basis. For loans, which are considered to be non-performing or risky, provision for accrued interest income is estimated. No more interest is accrued for loans when repayment of principal amount or interests is overdue for more than 60 days. Any interest income that has been previously recognized, however not received, is recorded as provision expenses in the profit and loss account and a decrease in short term assets in the balance sheet at the time the related loans is placed on non performing status.
Commissions, fees and other income are credited to income when earned.
Interest expense is recognized on the accrual basis.
Commission, fees and other expenses are debited to expense when incurred.

Foreign currencies
Transactions denominated in foreign currency are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities, including unmatured commitments to deliver or acquire foreign currencies under spot exchange transactions, if any, are translated at the rate of exchange on the balance sheet date.
The applicable rates used for the principal currencies at year-end were following:

	1999	1998
1 USD	4.0000	4.0000
1 DEM	2.0585	2.3951
1 RUR	0.1452	0.1905
1 GBP	6.4752	6.6968

All resulting gains and losses relating to cash operations are recorded in the profit and loss account in the period in which they arise. Gains and losses on translation are credited or charged at the prevailing foreign exchange rate at period-end.

Provision for loan losses
Loans represent the unpaid principal balance of loans less provision for loan losses. The Bank provides commercial and consumer loans to customers throughout its market area. The economic condition of the market area may have an impact on the borrowers' ability to repay their loans. Management has considered risk in determining the balance of provisions and possible loan losses.
Provisions for loans, accrued interest income losses at the balance represent the estimated amounts of probable losses that have been incurred at the balance sheet date. The value of the collateral held in connection with these loan is based on its estimated realizable value and is taken into account when estimating the required provision.

The level of the provision is based on estimates considering known relevant factors affecting loan collectability and collateral values. Ultimate losses will vary from the current estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Management has made their best estimates of potential losses and believe those loss estimates presented in the financial statements are reasonable in light of available information.

Earnings per share

For the purpose of calculating earnings per share, the weighted average number of common shares outstanding during 1999 and 1998 was 13,677,645 and 11,950,081, respectively. At 31 December 1999 and 1998 the Bank had 140,000 weighted average dilutive shares outstanding. Net profit of the year, on the basis of which diluted earnings per share were calculated, was adjusted by interest expense on subordinated debt for the year ending 31 December 1999 by LTL'000 210.

Foreclosed assets held for resale

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

Investments

Investments in short term treasury bonds and debt securities are stated at amortized cost.

The investments into equity securities, purchased for investing purposes, are stated at cost, unless there is a permanent decrease in value at which investment is written down to market value.

Investments into long-term government bonds related to restructuring of the loan to Lietuvos Akcinis Inovacinis Bankas represent treasury bonds issued according to the Government decree to compensate for a loan provided to Lietuvos Akcinis Inovacinis Bankas. The maturity of these bonds is 10 years. These investments are stated at net present value by discounting the future value of the investments receivable at the end of the 10th year using an average rate of inflation of the last year as a discount rate.

Investments into subsidiaries are excluded from consolidation and are in aggregate of minor importance to the net worth, financial position and earnings of the Bank, they account for less than 1% of assets. These investments are stated at cost.

Tangible fixed assets

Fixed assets are stated at historical cost or related amounts, less accumulated depreciation and amortization. Depreciation is provided in equal monthly installments except for the month placed in service over the expected useful lives as follows:

Buildings	60 years
Vehicles	7 years
Furniture, fixtures and equipment	5 to 7 years
Computer hardware	5 to 6 years
Software	1 to 5 years
Other intangible assets	1 to 5 years

The above-expected useful lives are set in accordance with Lithuanian tax rules, which approximate their useful lives.

All assets in excess of LTL 200 are capitalized. Gains and losses on disposal of fixed assets are recognized in the profit and loss account in the year of disposal.

Financial instruments with off balance sheet risk

In the normal course of business, the Bank enters into financial instruments with off balance sheet risk, which include foreign exchange contracts and issued guarantees. These financial instruments involve, to varying degrees, elements of credit, interest rate and currency risk. Provision is made for estimated losses, if any, on such off balance sheet items.

Regulatory requirements

The Bank is subject to the regulatory requirements of the Bank of Lithuania. These requirements include capital adequacy, liquidity and foreign currency position and loan concentration for individual loan customers.

Taxation

Income taxes are accounted for under the assets and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using currently enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Bank has recognised a deferred income tax expense during 1999.

Cash and cash equivalents

For the purpose of the statements of cash flows, highly liquid investments with an original maturity of three months or less when purchased are considered cash equivalents. Obligatory reserves held at the Bank of Lithuania are not considered to be cash equivalents.

Reclassifications

Certain balances of year 1998 have been reclassified in order to conform the year 1999 presentation.

2 BALANCES DUE FROM BANK OF LITHUANIA

In accordance with Bank of Lithuania regulations, the Bank maintains minimum 10% (calculated monthly) of the average monthly balance of:

- Resident and non-resident litas and foreign currencies liabilities
- Non-resident banks and credit institutions liabilities and other liabilities

Credits received from other Lithuanian and foreign banks are excluded from the calculation base. These funds must be held at the Bank of Lithuania and are not available for general use by the Bank. The Bank is in compliance with this regulation as of 31 December 1999 and 1998.

3

DUE FROM OTHER BANKS, NET

(LTL'000)

At 31 December due from other banks are composed of the following:

	1999	1998
Due from Lithuanian banks and other credit institutions	2,584	-
Due from OECD area banks	40,237	112,730
Due from non-OECD area banks	36,932	18,513
Total due from other Banks	**79,753**	**131,243**
Less: Provision for loss	(1,013)	(1,477)
Total due from other Banks, net	**78,740**	**129,766**

The OECD (Organization of Economic Cooperation and Development) countries currently include 29 developed countries in European Union, Northern America, Australia and other regions of the world.

4

LOANS AND ADVANCES TO CUSTOMERS, NET

(LTL'000)

The value of the loan portfolio as stated in the balance sheet is determined after deducting provisions for possible credit losses calculated in accordance with an internationally accepted methodology for credit assessment.
At 31 December loans and advances to customers, by maturity, are composed of the following:

	1999	1998
Due within one year	176,206	33,547
Due after one year	51,075	60,048
Total loans and advances to customers	**227,281**	**93,595**
Less: Provision for loan losses	(3,674)	(4,669)
Total loans and advances to customers, net	**223,607**	**88,926**

At 31 December loans and advances to customers, by industry, are composed of the following:

	1999	1998
Manufacturing companies	11,480	3,223
Construction companies	7,467	12,673
Trade and services	138,097	5,131
Transportation and communication	29,165	400
Real estate, rent and commercial companies	34,944	10,878
Other	6,128	61,290
Total loans and advances to customers	**227,281**	**93,595**

5

INVESTMENTS
(LTL'000)

At 31 December investments are composed of the following:

	1999	1998
Trading:		
Lithuanian government bonds	289	1,783
Government bonds related to restructuring of the loan to LAIB	1,024	574
Lukoil debt securities	16,865	23,756
Norilskij Nikel debt securities	16,078	17,997
Sub-total trading investments	**34,256**	**44,110**
Non-trading:		
Equity investments:		
Latvijas Tirzdniecibas Banka	2,092	1,383
UAB Renkonas	-	294
Other investments	18	80
Ukrainian Government debt securities, net	728	18,204
Sub-total non-trading investments	**2,838**	**19,961**
Investments into subsidiaries:		
ADB Snoro Garantas	3,000	3,000
UAB Snoro Lizingas	1,000	-
Total investments	**41,094**	**67,071**

Lithuanian government bonds (treasury bills) have maturities ranging up to one year with an interest rate of approximately from 6.0% to 17.9% with an average of 12.0% interests.

Bonds related to restructuring of the loan to AB Lietuvos Akcinis Inovacinis Bankas (LAIB) are 10-year interest non-bearing Government bonds. The Bank had a loan of 1,200 LTL'000 granted to currently liquidated LAIB. After the LAIB was declared insolvent on 19 December 1995, following Parliament and Government regulation, the debt was converted in 10-year interest non bearing bonds. The amount of 1,024 LTL'000 stated in financial statements is the present value of 1,200 LTL'00 calculated using average inflation rate as a discount rate. Currently operations with these bonds are restricted.

During the year ended 31 December 1999 Bank had investments into Lukoil and Norilsk Nikel debt securities with maturities of less than 3 months. The debt securities are denominated in RUR; the average approximate yield ranges from 35% to 125%.

The Bank's other securities in the amount of 18 LTL'000 includes shares of the National Stock Exchange and SWIFT whose membership is compulsory for trading and banking activities.

Investments in non-consolidated Bank's wholly owned subsidiaries ADB Snoro Garantas and UAB Snoro Lizingas are carried at cost. In the opinion of the management, if these subsidiaries were consolidated in accordance with IAS 27, it would not have a material effect on the financial statements.

6

FIXED ASSETS

(LTL'000)

At 31 December fixed assets are composed of the following:

	Buildings	Office equipment	Buildings under construction	Vehicles	Intangible assets	Total
Historical cost						
31 December 1997	**8,968**	**51,653**	**655**	**3,956**	**1,546**	**66,778**
Disposals and transfers	-	(423)	(655)	(158)	(36)	(1,272)
Additions	3,748	31,438	-	1,752	944	37,882
31 December 1998	**12,716**	**82,668**	**-**	**5,550**	**2,454**	**103,388**
Disposals and transfers	(172)	(1,713)	-	(381)	(2)	(2,268)
Additions	3,912	1,594	-	62	3,977	9,545
31 December 1999	**16,456**	**82,549**	**-**	**5,231**	**6,429**	**110,665**
Accumulated depreciation						
31 December 1997	**330**	**3,349**	**-**	**444**	**713**	**4,836**
Charge for period	183	5,758	-	690	772	7,403
Disposals	-	(26)	-	(35)	(27)	(88)
31 December 1998	**513**	**9,081**	**-**	**1,099**	**1,458**	**12,151**
Charge for period	219	7,248	-	648	874	8,989
Disposals and transfers	(6)	(315)	-	(73)	(2)	(396)
31 December 1999	**726**	**16,014**	**-**	**1,674**	**2,330**	**20,744**
Net book value						
31 December 1998	**12,203**	**73,587**	**-**	**4,451**	**996**	**91,237**
31 December 1999	**15,730**	**66,535**	**-**	**3,557**	**4,099**	**89,921**

The assets stated above are held for the Bank's own use.

7 OTHER ASSETS
(LTL'000)

At 31 December other assets are composed of the following:

	1999	1998
Accrued interest income	1,307	1,135
Deferred expenses	501	3,285
Prepaid assets	1,476	4,296
Tax receivables	-	753
Payment card receivables	2,610	1,490
Foreclosed assets held for resale	406	200
Amounts receivable for assets sold	690	61,908
Other assets	2,007	1,859
Total other assets	**8,997**	**74,926**
Less: provisions other assets	(2,335)	(1,980)
Total other assets, net	**6,662**	**72,946**

Provisions for other assets include 127 LTL'000 for accrued interest (in year 1998: 520 LTL'000) and other provisions in the amount of 2,208 LTL'000 (in year 1998:1,460 LTL'000).

8 SUBORDINATED DEBT

On 28 March 1997 the Bank entered into a 1,400 LTL'000 (350 USD'000), 5-year subordinated loan agreement with a private investor. This debt is repayable in one installment on 1 July 2002. Interest is payable quarterly in USD, at 20.075%. Subsequent to the balance sheet reporting date, on 4 January 2000, the subordinated loan was repaid.

9 DUE TO OTHER BANKS
(LTL'000)

At 31 December due to other banks are composed of the following:

	1999	1998
Lithuanian credit institution deposits	1,704	2,422
Non OECD area credit institutions accounts and deposits	21,016	5,906
Total due to other banks	**22,720**	**8,328**

10

CURRENT AND TERM DEPOSIT ACCOUNTS

(LTL'000)

At 31 December current and term deposit accounts are composed of the following:

	1999	1998
Current accounts		
National authorities	24	-
Local authorities	77	101
State enterprises	4,617	3,311
Private companies	122,830	125,733
Individuals	38,005	28,719
Non-profit organizations	663	540
National social insurance fund (SoDra)	625	300
Total current accounts	**166,841**	**158,704**
Term deposit accounts		
Private companies	57,915	114,573
Individuals	76,259	54,743
Non-profit organizations	121	104
Total term deposit accounts	**134,295**	**169,420**
Total current and term deposit accounts	**301,136**	**328,124**

The maturity of current and term deposits is as follows:

	1999	1998
Current accounts due on demand	166,841	158,704
Term deposits:		
Due within 3 months	94,014	42,364
Due within 3 to 6 months	17,905	12,288
Due within 6 months to one year	20,974	69,589
More than one year	1,402	45,179
Total current and term deposit accounts	**301,136**	**328,124**

The average interest rate on term deposits in Litas is 8.48% and in foreign currency 6.14%. The average interest rate for demand deposits in Litas is 3.29% and in foreign currency 1.11%. Typically term deposits are renewed at maturity.

11 OTHER LIABILITIES
(LTL'000)

At 31 December other liabilities are composed of the following:

	1999	1998
Term bills	3,481	-
Money in transit accounts	5,202	2,364
Lease payables	667	3,428
Brokerage clients funds	268	485
Off-balance sheet provisions	1,000	-
Accrued expense	3,513	4,069
Wages payable	409	962
Collected utility bills	3,459	1,903
Other collected bills	451	245
Tax payable	946	745
Accounts payable	719	246
Amounts payable for shares acquired	438	-
Other amounts	2,834	2,239
Total other liabilities	**23,387**	**16,686**

uring 1999 the Bank issued term bills, and as of 31 December 1999 had term bills issued with par value of 3,707 LTL'000. The term bills are sold at a discount and their carrying value was 3,481 LTL'000. The average annual interest payable for term bills varies from 4.5% to 5%.

12 SHARE CAPITAL

Issued share capital as of 31 December 1999 and 1998 consisted of: 4,902,400 ordinary shares, with a par value of LTL 10. All shares are outstanding and fully paid.

During the year ended 31 December 1999, the Bank sold 52,201 own shares that were accounted for in amount of 212 LTL'000 for 503 LTL'000.

In December 1999, the Shareholders' meeting authorized a 5 to 14 shares split of the Bank's LTL 10 par value common shares. As the result of the split, 8,824,320 additional shares were issued, and share premium reserve was reduced by LTL'000 88,243. All references in the accompanying financial statements to the number of common shares and per share amounts for 1999 and 1998 have been restated to reflect the stock split. On 9 March 2000 the Bank of Lithuania approved the registration of an additional LTL'000 88,243 in share capital up to a total of LTL'000 137,267.

13 INTEREST INCOME
(LTL'000)

At 31 December interest income is composed of the following:

	1999	1998
Debt securities' interest	37,735	19,828
Loans' interest	22,701	7,623
Placements with other banks	4,709	6,093
Total interest income	**65,145**	**33,544**

For the year ended 31 December 1999 the average interest rates were 14.07% in Litas and 14.11% in foreign currency for short-term lending, and 18.97% in Litas and 11.50% in foreign currency for long-term loans.

14 INTEREST EXPENSE
(LTL'000)

At 31 December interest expense is composed of the following:

	1999	1998
Current and term deposit interest	13,699	15,583
Deposits from other banks interest	1,006	3,739
Subordinated debt interest	210	846
Other interest	121	73
Total interest expense	**15,036**	**20,241**

15 FOREIGN EXCHANGE (LOSS) GAIN, NET
(LTL'000)

At 31 December (loss) gain from currency exchange operations is composed of the following:

	1999	1998
Realized foreign exchange gain	10,419	37,873
Unrealized foreign exchange loss	(12,039)	(4,019)
Total foreign exchange (loss) gain, net	**(1,620)**	**33,854**

16 SALARY AND RELATED SOCIAL EXPENSES

Salaries and related social expenses include compensation of employees and related social security and other benefits. Salaries and related social expenses in 1999 and in 1998 were LTL'000 26,118 and 34,465, respectively. At the end of 1999 and 1998, the Bank employed 818 and 895 personnel, respectively.

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OTHER ADMINISTRATIVE EXPENSES

(LTL'000)

At 31 December other administrative expenses are composed of the following:

	1999	1998
Transport and communications	4,898	5,036
Rent and maintenance	2,946	3,903
Other services	1,950	3,404
Advertising	1,265	2,504
Business trips and training	443	811
Construction and repair	1,308	2,880
Other expenses	6,740	6,413
Total other administrative expenses	**19,550**	**24,951**

18

INCOME TAX

(LTL'000)

A reconciliation of income tax expense at the statutory rate (29% for the period) to income tax expense at the Bank's effective rate is as follows:

	1999
Computed tax at the expected statutory rate	3,186
Permanent differences	
Non taxable income	
Income from Government securities	(49)
Insurance recoveries	(33)
Other income	(307)
Non-deductible expenses	
Loss on disposals of fixed assets	77
Provisions	237
Cost of assets sold	595
Fines	92
Representation	116
Other	852
Timing differences	
Prior years tax loss carry forward	(1,947)
Income tax expense	**2,819**
Effective income tax rate	**25.66%**
Income tax expense consists of:	
Current income tax	1,306
Deferred income tax	1,513
Total	**2,819**

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PROVISIONS

(LTL'000)

Activity in the provision for loan losses, foreclosed assets, other assets and due from other banks for the years ended 31 December is following:

	Loan and interest loss provisions	Provisions for inter-bank loans	Other provisions	Total
Balance as of 31 December 1998	**5,189**	**1,476**	**3,707**	**10,372**
Reversal of provisions	(8,908)	(2,445)	(626)	(11,979)
Provisions written off	(455)	(155)	(1,411)	(2,021)
Provision charged	7,975	2,137	1,748	11,860
Balance as of 31 December 1999	**3,801**	**1,013**	**3,418**	**8,232**

Other provisions include 1,000 LTL'000 provision related with the Bank's granted guarantee.

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CONTINGENCIES AND COMMITMENTS

(LTL'000)

Contingencies and commitments are as follows:

	1999	1998
Currency purchase contracts	44,398	60,662
Currency sale contracts	44,440	60,662
Credit commitments	33,447	1,514
Issued guarantees	11,502	10,676
Letters of Credit	55	617
Total	**133,842**	**134,131**

Finance leases – The Bank has outstanding finance lease obligations of approximately LTL'000 681 in connection with lease agreements to acquire vehicles, banking equipment and software. The minimum lease payment obligations are included in lease liabilities. Included in depreciation expense are charges related to finance leases.
Operating leases – The Bank rents offices, premises and land for banking activities. The Bank has outstanding non-cancelable commitments in connection with the rent agreements, approximately LTL'000 504.

At 31 December 1999 the future annual minimum commitments under leases were following:

Year Ending December 31,	Finance Leases	Operating Leases
2000	671	149
2001	42	149
2002	-	121
2003	-	84
2004	-	1
Minimum lease payments	**713**	**504**
Less: amount representing interest	32	
Present value of minimum lease payments	**681**	

It is expected that in the normal course of business, expiring leases will be renewed or replaced by leases on other fixed assets.
Litigation and claims – The Bank was not involved in any legal proceedings as of 31 December 1999 except for those related to loan loss recovery.

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FAIR VALUE OF FINANCIAL INSTRUMENTS
(LTL'000)

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of International Accounting Standard 32, "Financial Instruments: Disclosure and Presentation". The estimated fair value amounts have been determined by the Bank using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.
The fair value estimates presented herein are based on pertinent information available to the Bank as of 31 December 1999 and 1998. Although the Bank is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The carrying amount and the estimated fair value of the financial instruments for the years ended 31 December are as follows:

	1999		1998	
	Carrying Amount	**Estimate Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial Assets:				
Cash and cash equivalents	33,163	33,163	28,802	28,802
Due from Bank of Lithuania	32,048	32,048	22,200	22,200
Due from other banks	78,740	78,740	129,766	129,766
Loans receivable, net	223,607	225,739	88,926	95,798
Trading securities	34,256	34,256	44,110	44,110
Non trading securities	6,838	6,838	22,961	22,961
Accrued interest income, net	1,180	1,180	615	615
Financial Liabilities:				
Subordinated debt	1,400	1,400	1,400	1,400
Due to other banks	22,720	22,720	8,328	8,328
Current and term deposit accounts	301,136	301,500	328,124	329,372
Accrued interest expense	3,513	3,513	4,069	4,069
Off-balance sheet instruments:				
Currency purchase contracts	44,398	44,398	60,662	60,662
Currency sale contracts	44,400	44,400	60,662	60,662
Issued guaranties	11,502	11,502	10,676	10,676
Letters of credit	55	55	617	617
Credit commitments	33,447	33,447	1,514	1,514

The methods and assumptions used in estimating the fair value of financial instruments are as follows:

Financial Instruments with book value equal to fair value. The fair value of financial instruments that are short-term or re-priced frequently and have a history of negligible credit losses is considered to approximate their carrying value. Those instruments include balances recorded in the following captions:

Assets	**Liabilities**
Cash and cash equivalents	Current deposits
Short-term receivables	Accounts payable and other short-term liabilities
Prepayments	Short-term debt

Loans Receivable. The fair value of loans is estimated by discounting the expected future cash flows using the current market rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Investments. The fair value of investments are based on quoted market prices if available, or on quoted market prices for similar investments.

Time Deposits. The fair value of term deposits is estimated by discounting expected future cash flows using the current market rates of deposits with similar characteristics and remaining maturities.
Foreign Exchange Contracts, Options. The fair value of these instruments is based on quoted market prices or dealer quotes.
Guarantees, letters of credit. The fair value of guarantees and letters of credit is based on the estimated cost to terminate them or otherwise settle the obligations with counterparties at the reporting date.

22 RELATED PARTY TRANSACTIONS

(LTL'000)

Related parties are defined as shareholders, members of the supervisory board, members of the management board, their close relatives and companies in which they have a controlling interest.

As of 31 December 1999 the Bank had following balances with related parties:

	Amount
Loans to a shareholder	11,200
Subordinated loan from related party	1,400
Loans to the members of council, management and other bank employees	306

In the opinion of management, transactions entered into between the Bank and such related parties have been made on the same terms and conditions as similar transactions with unaffiliated persons.

23 FOREIGN EXCHANGE EXPOSURE

(LTL'000)

The analysis of foreign denominated assets and liabilities as of 31 December 1999 according to the currencies in which they are denominated is as follows:

	Exchange Rate	**Assets**	**Liabilities**	**Off balance-sheet instruments**	**Net exposure**	**% of Regulatory Capital**
RUR	0.1452	35,264	6,947	-	28,317	18.80
USD	4.0000	302,734	247,352	(44,400)	10,982	7.29
LVL	6.8388	2,166	440	-	1,726	1.15
GBP	6.4752	735	217	-	518	0.34
DKK	0.5412	287	229	-	58	0.04
EUR	4.0260	9,968	12,314	2,398	52	0.03
Other	various	599	314	-	|302|	0.20
Total		**351,753**	**267,813**	**(42,002)**	**|41,955|**	**|27.85|**

Bank of Lithuania regulations require the Bank to maintain its aggregate open position in foreign currencies at less than 30% of bank capital, and its single currency open position at less than 20% of bank capital. As of 31 December 1999, the Bank was in compliance with all foreign currency exposure requirements.

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LIQUIDITY RISK AND INTEREST RATE RISK
(LTL'000)

The table below provides an analysis of assets and liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. Those assets that do not have a contracted maturity date are grouped together in the "greater than 5 years" category and those liabilities that do not have a contracted maturity date are grouped together in the "within 1 year" category.

The remaining period to maturity of assets and liabilities at 31 December 1999 was as follows:

	Within 1 year	1-5 years	Greater than 5 years	Total
Cash	33,163	-	-	33,163
Due from Bank of Lithuania	9,498	-	22,550	32,048
Due from other banks, net	74,241	4,350	149	78,740
Loans and advances to customers, net	211,650	9,656	2,301	223,607
Investments	33,960	1,024	6,110	41,094
Fixed assets, net	-	4,099	85,822	89,921
Other assets, net	2,017	154	4,491	6,662
	364,529	**19,283**	**121,423**	**505,235**
Liabilities and shareholder's investments				
Subordinated loan	1,400	-	-	1,400
Due to other banks	21,254	-	1,466	22,720
Current and term deposit accounts	299,734	1,235	167	301,136
Other liabilities	21,569	1,632	186	23,387
Deferred tax	-	1,513	-	1,513
Shareholders' investment	-	-	155,079	155,079
	343,957	**4,380**	**156,898**	**505,235**
Off-balance sheet liabilities	40,704	4,196	104	45,004
Total liabilities, shareholders investment and off-balance sheet liabilities	**384,661**	**8,576**	**157,002**	**550,239**
Liquidity risk and interest rate risk	**(20,132)**	**10,707**	**(35,579)**	**(45,004)**

The Bank of Lithuania requires banks to maintain a liquidity ratio not less then 30.00% based on specific liquidity calculations. As of 31 December 1999, the Bank's actual ratio was 52.18 %.
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. Due to the nature of the Lithuanian banking system, the interval at which interest is re-priced to market is the same as the contractual maturity date of most financial instruments, as provided in the above relevant maturity groupings.

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CAPITAL ADEQUACY AND REGULATORY MATTERS

(LTL'000)

The Bank of Lithuania requires banks to maintain a capital adequacy ratio of 10.00% based on specific capital adequacy calculations. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by the regulators that if undertaking could have a direct material effect on the Bank's financial statements. As of 31 December 1999, the Bank's actual ratio was 36.24%.

Additionally, under the guidelines set forth by the Basle Agreement, the Bank's capital adequacy as of 31 December 1999 is as follows; Tier I Capital to Risk Weighted Assets 42.32%; Total Capital to Risk Weighted Assets 41.67%. Basle committee confirms that the target standard ratio of capital to risk weighted assets should be set at 8%, of which the Tier I capital element will be at least 4%.

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SUBSEQUENT EVENTS

(LTL'000)

Subsequent to the financial statements reporting date, the Bank of Lithuania adopted an amendment in the Bank of Lithuania Doubtful Asset's Classification Rules, which will be in force starting 1 January 2001. Effective 1 January 2001, loans to non-residents registered as offshore companies are considered as doubtful. Such loans will be required to be provided at 40% without consideration of collateral, unless such collateral is a deposit. Currently Management of the Bank is determining the impact of these rules on the financial statements of the Bank and plans to restructure such loans during the year in order to avoid a material impact on the financial position of the Bank.

On 9 March 2000 the Bank of Lithuania approved the registration of an additional LTL'000 88,243 in share capital, up to a total of LTL'000 137,267. The increase was achieved by transferring LTL'000 88,243 from share premium reserve to share capital.