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INDEPENDENT AUDITORS' REPORT

To the shareholders of *ŪKIO BANKAS AB*:

We have audited the accompanying consolidated balance sheets of the AB Ūkio Bankas and subsidiary UAB Ūkio Banko Lizingas (the "Group") as of 31 December 1999 and 1998 and the related consolidated statements of profit and loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtin reasonable assurance about whether thefinancial 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 1999 and 1998 and the results of operations and cash flows for the years then ended in accordance with International Accounting Standards.

Deloitte & Touche

Deloitte & Touche
Vilnius, Lietuva
9 February, 2000

Deloitte Touche
Tohmatsu

Consolidated Balance *Sheets*

As of 31 December 1999 and 1998

	Notes	1999 LTL'000	1998 LTL'000
ASSETS			
Cash		10,015	10, 382
Due from Bank of Lithuania	**2**	15,930	12,923
Due from other banks, net	**3**	33,347	22,131
Loans and advances to customers, net	**4**	91,494	76,589
Investments	**5**	14,901	10,873
Other assets, net	**6**	52,947	51,460
Fixed assets, net	**7**	32,945	22,333
Total assets		**251,579**	**206,691**
LIABILITIES			
Due to Bank of Lithuania	**8**	5,121	5,965
Due to other banks	**9**	10,929	4,430
Subordinated loans	**10**	12,000	-
Current and term deposit accounts	**11**	178,121	154,227
Other liabilities		4,000	4,772
Total liabilities		**210,171**	**169,394**
SHAREHOLDERS' INVESTMENT			
Share capital	**12**	60,000	60,000
Accumulated deficit		(17,170)	(22,703)
Total shareholders' investment		**42,830**	**37,297**
Less: treasury shares	**13**	**(1,422)**	-
Total shareholders' investment, net		41,408	37,297
Total liabilities and shareholders' investment		**251,579**	**206,691**

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

Chairman of the Board
L. Varanavičius

L. Varanavičius

Chief Accountant
V. Petraitienė

Consolidated Statements of Profit and Loss

For the years ended 31 December 1999 and 1998

	Notes	1999 LTL'000	1998 LTL'000
Interest income	14	13,460	13,825
Interest expense	15	(9,523)	(8,975)
NET INTEREST INCOME		**3,937**	**4,850**
Fees and commission income, net	16	15,798	4,907
Foreign exchange profit, net		3,755	4,593
Income (loss) from investment activities, net	17	143	(214)
Income from operations with derivative financial instruments, net		1,165	-
Other operating income		5,118	2,886
TOTAL INCOME		**29,916**	**17,022**
(Provisions)/reversal of provisions for losses, net	**18**	**(1,652)**	**6,174**
NET INCOME AFTER PROVISION		**28,264**	**23,196**
Salaries and related social expenses	19	10,734	10,148
Depreciation expense	7	1,779	1,952
Other administrative expenses	20	10,218	5,637
		22,731	**17,737**
NET INCOME		**5,533**	**5,459**
Basic Earnings Per Share (in LTL)		**1.15**	**1.09**
Diluted Earnings Per Share (in LTL)		**1.13**	**-**

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

Chairman of the Board
L. Varanavičius

L. Varanavičius

Chief Accountant
V. Petraitienė

Consolidated Statements of Shareholder's Investment

For the years ended 31 December 1999 and 1998

	Share Capital LTL'000	Share Premium LTL'000	Revaluation Reserve LTL'000	Accumulated Deficit LTL'000	Treasury Stock LTL'000	LTL'000
31 December 1997	**60,000**	**18,747**	**(4,427)**	**(46,909)**	**-**	**27,411**
Transfer	-	(18,747)	-	18,747	-	-
Revaluation of fixed assets	-	-	4,427	-	-	4,427
Net profit	-	-	-	5,459	-	5,459
31 December 1998	**60,000**	**-**	**-**	**(22,703)**	**-**	**37,297**
Net profit	-	-	-	5,533	-	5,533
Purchase of treasury stock	-	-	-	-	(1,422)	(1,422)
31 December 1999	**60,000**	**-**	**-**	**(17,170)**	**(1,422)**	**41,408**

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

Consolidated Statements of Cash Flows

For the years ended 31 December 1999 and 1998

	1999 LTL'000	1998 LTL'000
CASH FLOW FROM OPERATING ACTIVITIES		
Interest received	13,591	16,665
Interest paid	(8,910)	(9,377)
Repayment of loans previously written-off	3,820	271
Net receipts from operations with foreign currency	3,640	(111)
Net receipts from operations with securities	1,167	279
Net receipts for services and commission	7,461	4,523
Cash payments of salaries and associated payments	(10,734)	(10,148)
Other payments	(9,008)	(24,338)
Net cash provided by (used in) operating activities before change in operating assets	**1,027**	**(22,236)**
Changes in operating assets and liabilities:		
Due from Bank of Lithuania	(3,007)	17,720
Loans and advances to customers	(15,142)	30,466
Net sale of investments	-	3,264
Other assets	(5,325)	(13,446)
Due to Bank of Lithuania	(844)	383
Due to other banks	6,533	(9,675)
Current and term deposits	23,894	(2,685)
Other liabilities	(1,419)	(1,654)
Net cash provided by operating activities	**5,717**	**2,137**
CASH FLOW FROM INVESTING ACTIVITIES		
Additions of fixed assets, net of disposals	(1,418)	2,603
Investments in non-trading securities	(1,285)	516
Investment in associate and subsidiary	(1,464)	(5,451)
Treasury shares acquired	(1,422)	-
Net cash used in investing activities	**(5,589)**	**(2,332)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from subordinated loans	12,000	-
Net cash provided by financing activities	**12,000**	**-**
Net increase/(decrease) in cash and cash equivalents	**12,128**	**(195)**
Cash and cash equivalents at the beginning of year	**35,088**	**35,283**
Cash and cash equivalents at the end of year	**47,216**	**35,088**
Cash and cash equivalents consist of:		
Cash on hand	10,015	10,382
Demand deposits from other banks due within 3 month	33,347	22,131
T-bills with maturity equal or less than 3 month	3,854	2,575

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

Notes to the Consolidated Financial Statements

For the years ended 31 December 1999 and 1998

1. ACCOUNTING POLICIES

General Information

AB Ūkio Bankas (the Bank) was established in June 1989 as Commercial Industry Bank. The Bank's main office is located in Kaunas and the Bank has 15 branches in Lithuania. The Bank accepts deposits from the public and makes loans, provides trade finance, transfer payments and exchanges currencies for its clients.

The significant accounting policies adopted by AB Ūkio Bankas and consolidated subsidiary UAB Ūkio Banko Lizingas (the Group) 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.

The accompanying financial statements are presented in the national currency of Lithuania, the Litas (LTL).

Principles of Consolidation

At 31 December 1999 and 1998 the consolidated financial statements include the accounts of the Bank and its wholly owned subsidiary UAB Ūkio Banko Lizingas. All intercompany accounts and transactions have been eliminated.

Interest, Fees and Commisions

Interest income is recognized on the accrual basis. Loans are considered to be non-performing if they are in arrears on payment of either principal or interest for a period greater than 90 days. For such loans and the associated interest receivable, provisions are established for possible losses and no further interest is accrued.

Commissions, fees and other income are credited to income when earned.

Interest expense is recognized when incurred.

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 outstanding 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 reporting date were as follows:

	1999	**1998**
USD	4.0000	4.0000
DEM	2.0584	2.3951
NLG	1.2690	2.1253
GBP	6.4752	6.6968

All resulting gains and losses relating to cash are recorded in the profit and loss account in the period in which they arose. 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 provisions for loan losses.

The Bank provides commercial and consumer loans to customers throughout it's 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 loan losses at the balance sheet date are established in accordance with IAS and 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 the 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. Due to an inherent lack of reliable information about the customers' financial position, the estimate of probable losses is uncertain. Nevertheless, 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 years ended 31 December 1999 and 1998 was 4,830,822 and 5,000,000 respectively. At 31 December 1999 the Bank had 55,708 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 expenses on subordinated loans for the year ending 31 December 1999 by 11 LTL'000.

Foreclosed Assets Held for Resale

Assets acquired through foreclosures are recorded at the estimated fair value at the time of foreclosure. 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 may be subject to significant fluctuations as economic conditions change.

Notes to the Consolidated Financial Statements
For the years ended 31 December 1999 and 1998

Investments

Investments consist of trading and investment securities and investments in an associated company.

Trading securities are comprised of current investments in debt and equity securities that are acquired with the intention of reselling them in the short term or for which management intends to hold for less than one year. Trading securities are stated at lower of cost or market value.

Investment securities are comprised of long-term investments in debt and equity securities intended to be held for a number of years to generate income and capital gain. Investment securities are recorded at cost unless a decline in value is deemed to be permanent.

Investment in associate, UAB Ūkio Banko Investicinė Grupė, is accounted for under the equity method.

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	5 years
Furniture, fixtures and equipment	2 to 36 years
Computer hardware	3 to 6 years
Software	1 year

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. Provisions are made for estimated losses, if any, on such off balance sheet items.

Regulatory Requirements

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

Taxation

Deferred taxes arise from timing differences in the recognition of revenue and expense for tax and financial reporting purposes. The Bank has not recognized the deferred income tax benefit from costs that have been recognized for financial reporting purposes in advance of their deductibility for income tax purposes (principally the provision for loan losses and net operating loss carry forwards) due to uncertainty over whether these assets will be realized.

Cash and Cash Equivalents

For the purposes of the statements of cash flow, 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.

Use of Estimates

The preparation of financial statements in accordance with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates.

Reclassifications

Certain 1998 balances have been reclassified to conform to the 1999 presentation.

2. DUE FROM BANK OF LITHUANIA

Due from Bank of Lithuania as of 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Obligatory reserve	14,845	11,491
Other deposits	1,085	1,432
Total due from Bank of Lithuania	**15,930**	**12,923**

In accordance with the Bank of Lithuania regulations, the Bank maintains 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

These funds must be held at the Bank of Lithuania and are not available for general use by the Bank. The Bank was in compliance with this regulation as of 31 December 1999 and 1998.

Credits received from other Lithuanian and foreign banks are excluded from the calculation base.

3. DUE FROM OTHER BANKS, NET

Due from other banks as of 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Due from Lithuanian banks	2,028	11,918
Due from foreign banks	31,319	10,264
Total due from other banks	**33,347**	**22,182**
Less: Provision for losses	-	(51)
Total due from other banks, net	**33,347**	**22,131**

4. LOANS AND ADVANCES TO CUSTOMERS, NET

Loans and advances to customers, by maturity, as of 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Due within one year	60,147	54,200
Due after one year	46,515	41,493
Total loans and advances to customers	**106,662**	**95,693**
Provision for loan losses, net	(15,168)	(19,104)
Total loans and advances to customers, net	**91,494**	**76,589**

Loans and advances to customers, by industry, are composed as follows:

	1999 LTL'000	1998 LTL'000
Wholesale and retail trade	32,927	38,718
Manufacturing	26,023	35,053
Transportation	2,227	4,834
Hotel and restaurant	687	1,328
Agriculture	797	1,243
Construction	2,372	1,223
Real Estate	2,237	452
Other (including individuals)	39,392	12,842
Total loans and advances to customers	**106,662**	**95,693**

5. INVESTMENTS

Investments as of 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Trading:		
Lithuanian government bonds	3,052	2,261
Equity shares:		
Dirbtinis pluoštas AB	3,052	3,052
Vilniaus Bankas AB	76	82
Sub-total	**3,128**	**3,134**
Investment securities:		
Equity shares:		
NVPB	15	15
SWIFT	-	5
Mažeikių nafta AB	4	-
Rokiškio sūris AB	11	-
Šiaulių LEZ valdymo bendrovė UAB	7	7
Sub-total	**37**	**27**
Investments in associates		
Ūkio Banko Investicinė GrupėUAB	7,057	5,451
Investments in share purchase options	1,627	-
Total investments	**14,901**	**10,873**

Lithuanian government bonds (treasury bills) have maturities ranging up to one year with an average interest rate of approximately 13% to 16%.

Trading securities include shares of Lithuanian companies that are actively traded on the Lithuanian Stock Exchange or for which management is actively seeking buyers and intends to hold for less than 1 year.

The Banks has a strategic investment in to the National Stock Exchange of Lithuania.

The Bank has a 100% investment in Ūkio Banko Lizingas UAB. The subsidiary commenced its operations in September 1997. For the years ended 31 December 1999 and 1998 this subsidiary has been consolidated.

The Bank has a 24.8 % interest in an associate, Ūkio Banko Investicinė Grupė UAB. The investment is accounted for under the equity method.

According to the Bank of Lithuania regulations the Bank's investment portfolio should not exceed 10% of the shareholders' investment. As of 31 December 1999 and 1998 the Bank was in compliance with this requirement. For the investments in to subsidiary, as investment into financial institution, UAB Ūkio Banko Investicinė Grupė, mentioned investment restrictions are not applied.

6. OTHER ASSETS, NET

Net other assets as of 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Foreclosed assets held for resale, net	22,758	29,803
Interest receivable, net	360	339
Deferred expenses	645	403
UAB □kio Banko Lizingas lease receivables, net	6,095	3,466
Other receivables, net	23,089	17,449
Total other assets, net	**52,947**	**51,460**

Foreclosed assets held for resale consist of the following:

	1999 LTL'000	1998 LTL'000
Premises	16,574	24,561
Constructions	2,564	5,659
Securities	2	2
Houses and apartments	290	610
Materials	47	47
Equipment	7,170	1,515
Total foreclosed assets	**26,647**	**32,394**
Less: provisions for losses	(3,889)	(2,591)
Total foreclosed assets, net	**22,758**	**29,803**

Other receivables consist of the following:

	1999 LTL'000	1998 LTL'000
Receivables from clients for guarantees paid	44	55
Other receivables	23,092	17,472
Total other receivables	**23,136**	**17,527**
Less: Provision for losses	(297)	(78)
Total other receivables, net	**22,839**	**17,449**

7. FIXED ASSETS, NET

Fixed assets as of 31 December are composed as follows:

LTL'000	Buildings	Office equipment	Vehicles	Construction in progress	Intangible assets	Total
Historical cost						
31 December 1997	**17,508**	**8,089**	**1,417**	**335**	**365**	**27,714**
Additions	217	953	338	-	18	1,526
Revaluation	4,427	-	-	-	-	4,427
Disposals and transfers	(3,565)	(514)	-	-	(50)	(4,129)
31 December 1998	**18,587**	**8,528**	**1,755**	**335**	**333**	**29,538**
Additions	12,109	1,407	411	2,478	101	16,506
Disposals and transfers	(617)	(1,233)	(391)	(2,470)	(29)	(4,740)
31 December 1999	**30,079**	**8,702**	**1,775**	**343**	**405**	**41,304**
Accumulated depreciation						
31 December 1997	**811**	**3,874**	**687**	**-**	**283**	**5,655**
Charge for period	306	1,283	277	-	86	1,952
Disposals	(18)	(334)	-	-	(50)	(402)
31 December 1998	**1,099**	**4,823**	**964**	**-**	**319**	**7,205**
Charge for period	243	1,179	266	-	91	1,779
Disposals	-	(491)	(105)	-	(29)	(625)
31 December 1999	**1,342**	**5,511**	**1,125**	**-**	**381**	**8,359**
Net book value						
31 December 1998	**17,488**	**3,705**	**791**	**335**	**14**	**22,333**
31 December 1999	**28,737**	**3,191**	**650**	**343**	**24**	**32,945**

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

8. DUE TO BANK OF LITHUANIA

Due to Bank of Lithuania represent long-term loans in DEM and EURO.

As of 31 December 1999 loans denominated in DEM account for LTL'000 3,108 (in year 1998 3,616 LTL'000) and mature in 2005 with annual interest rate of 4-6% and the loan in EURO accounts for LTL'000 2,013 (1998: 2,349 LTL'000) and matures in 27 July 2000 with annual interest rate of 7.62%.

9. DUE TO OTHER BANKS

Due to other banks as of 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Due to Lithuanian banks	2	12
Due to foreign banks	10,927	4,418
Total due from other banks	**10,929**	**4,430**

10. SUBORDINATED LOANS

At 31 December 1999 subordinated debt is comprised of the following:

On 17 December 1999 the Bank entered into a 2,000 USD'000 (8,000 LTL'000) 8-year convertible subordinated loan agreement with Citystate Investments Ltd. This debt is repayable in eight equal installments starting 30 June 2005. Interest is payable quarterly at 8% interest rate starting 31 March 2000. The loan is convertible by Citystate Investments Ltd., at their discretion, into equity of the Bank at an amount equal to the outstanding loan amount.

On 1 December 1999 the Bank entered into a 1,000 USD'000 (4,000 LTL'000) 6-year convertible subordinated loan agreement with Niaf Investments Ltd. This debt is repayable in four equal installments starting 30 June 2005. Interest is payable quarterly at 8% interest rate starting 31 March 2000. The loan is convertible by Niaf Investments Ltd., at their discretion, into equity of the Bank at an amount equal to the outstanding loan amount.

11. CURRENT AND TERM DEPOSIT ACCOUNTS

Current and term deposit accounts as of 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Current accounts		
National authorities	13	15
Local authorities	443	1,339
State enterprises	665	1,424
Private companies	41,223	39,306
Individuals	3,919	5,632
Non-profit organizations	816	1,171
Deposits of contracts	90	-
Total current accounts	**47,169**	**48,887**
Term deposit accounts		
National authorities	34,416	34,818
State enterprises	21	610
Private companies	11,409	7,990
Individuals	84,073	61,111
Non-profit organizations	1,033	811
Total term deposit accounts	**130,952**	**105,340**
Total current and term deposit accounts	**178,121**	**154,227**

The maturity of current and term deposits is as follows:

Current accounts due on demand	47,171	49,394
Term deposits:		
Due within 3 months	47,006	40,887
Due within 3 to 6 months	29,814	19,939
Due within 6 months to one year	18,503	8,801
More than one year	35,627	35,206
Total current and term deposit accounts	**178,121**	**154,227**

For the year ended 31 December 1999 the average interest rate on term deposits in Litas was 8.24% and in foreign currency 5.14%. The average interest rate for demand deposits in Litas was 1.7% and in foreign currency 0.8%. Typically, term deposits are renewed at maturity.

12. SHARE CAPITAL

Issued share capital as of 31 December 1999 and 1998 consisted of 5 million ordinary shares with a par value of LTL 12 each. All shares are outstanding and fully paid.

At 19 November 1999 Bank announced new emission of 24,000 LTL'000 share capital.

13. TREASURY STOCK

During the year ended 31 December 1999 the Bank purchased treasury stock and as of 31 December 1999 the Bank owned 249,413 treasury shares.

14. INTEREST INCOME

Interest income for the years ended 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Placements with other banks	643	456
Loans and advances to customers	11,401	12,548
Debt securities	402	348
Leasing interest income	1,014	473
Total interest income	**13,460**	**13,825**

For the years ended 31 December 1999 and 31 December 1998, the average interest rates were approximately respectively for Litas and currency loans 14% and 12% for short-term lending, and 13% and 10.5% for long-term loans.

15. INTEREST EXPENSE

Interest expense for the years ended 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Bank of Lithuania	320	360
Current and term deposit accounts	8,874	4,685
Deposits from other banks	318	3,930
Subordinated loans	11	-
Total interest expense	**9,523**	**8,975**

16. FEES AND COMMISSION INCOME, NET

Fees and commission income, net, for the years ended 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Fees and commission income	16,755	5,979
Fees and commission expense	(957)	(1,072)
Total fees and commission income	**15,798**	**4,907**

17. INCOME (LOSS) FROM INVESTMENT ACTIVITIES, NET

Income (loss) from investment activities for the years ended 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Gain on sales of securities	6	275
Unrealized securities gain (loss)	135	(493)
Income from securities	2	4
Total income (loss) from investment activities, net	**143**	**(214)**

18. PROVISIONS

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

	Loan loss provision LTL'000	Foreclosed other assets, guarantees and due from other banks LTL'000	Total LTL'000
Balance as of 31 December 1997	**41,563**	**11,738**	**53,301**
Reversal of provisions	(20,035)	(12,671)	(32,706)
Write off of loans fully provided for	(23,856)	(1,473)	(25,329)
Exchange rate and other adjustments	-	250	250
Provision charged	21,432	5,100	26,532
Balance as of 31 December 1998	**19,104**	**2,944**	**22,048**
Reversal of provisions	(7,554)	(620)	(8,174)
Write off loans fully provided for	(3,820)	(151)	(3,971)
Exchange rate and other adjustments	(353)	(21)	(374)
Provision charged	7,791	2,035	9,826
Balance as of 31 December 1999	**15,168**	**4,187**	**19,355**

19. 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 for the years ended 31 December 1999 and 31 December 1998 were LTL'000 10,734 and 10,148, respectively. As of 31 December 1999 and 1998 the Group employed 424 and 399, respectively.

20. OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses for the years ended 31 December are composed as follows:

	1999 LTL'000	1998 LTL'000
Transport, post and communications	1,317	1,311
Housing and other costs related to premises	1,053	1,436
Payments for services	847	866
Advertising	961	477
Training and travel	673	201
Minor construction, maintenance and other	5,367	4,346
Restructuring charges (contra)	-	(3,000)
Total other administrative expenses	**10,218**	**5,637**

21. TAXATION

Since the beginning of 1997 more than USD 2 million of the share capital of the Bank has been owned by foreign shareholders. Pursuant to the provision of then existing corporate profit tax legislation, the Bank is eligible for a three-year relief from profit tax payments followed by a three year 50% reduction in profit tax payments. Accordingly, in the year ended 31 December 1999 no corporate tax liability has been recognized.

22. CONTINGENCIES AND COMMITMENTS

Contingencies and commitments as of 31 December are as follows:

	1999 LTL'000	1998 LTL'000
Foreign exchange contracts	29,893	27,267
Issued guarantees	3,113	4,217
Letters of credit	6,379	1,404
Credit commitments	5,945	322
Other commitments	623	9,877
Total contingencies and commitments	**45,953**	**43,087**

Finance leases - The Group has outstanding finance lease obligations of approximately LTL'000 50 in connection with lease agreements to acquire vehicles. The net book value of fixed assets under finance lease obligations at 31 December 1999 is approximately 530 LTL'000. The minimum lease payment obligations are included in lease liabilities. Included in depreciation expense are charges related to finance leases.

Operating leases - The Group has outstanding commitments of LTL'000 854 in connection with the rental of premises.

At 31 December 1999 the future annual minimum commitments under financial leases of fixed assets are as follows:

	Financial Lease LTL'000	Operating Leases LTL'000
2000	46	396
2001	-	195
2002	-	144
2003	-	82
2004	-	32
Thereafter	-	5
Minimum lease payments	**46**	**854**
Less amount representing interest	5	
Present value of minimum lease payments	**41**	

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 Group was not involved in any legal proceedings during the year 1999 and 1998 except for those related to loan loss recovery.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 Group 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 Group 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 Group as of 31 December 1999 and 31 December 1998. Although the Group 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 LTL'000	Estimted Fair Value LTL'000	Carrying Amount LTL'000	Estimated Fair Value LTL'000
Financial Assets:				
Cash and cash equivalents	10,015	10,015	10,382	10,382
Due from Bank of Lithuania	15,930	15,930	12,923	12,923
Due from other banks	33,347	33,347	22,131	22,131
Loans receivable, net	91,511	83,094	76,589	75,412
Government bonds	3,052	3,052	2,261	2,261
Trading equity shares	3,128	3,128	3,134	3,134
Long term investments	8,614	8,614	5,478	5,478
Accrued interest income, net	202	202	339	339
Financial Liabilities:				
Due to Bank of Lithuania	5,121	5,121	5,965	5,965
Due to other banks	10,946	10,946	4,430	4,430
Current and term deposit accounts	178,121	174,516	154,227	155,409
Accrued interest expense	1,883	1,883	20	20
Off-balance sheet instruments:				
Foreign exchange contracts:				
Options	14,000	14,000	4,000	4,000
Forwards	6,054	6,054	22,000	22,000
Currency sale	9,839	9,839	1,270	1,270
Issued guaranties	5,945	5,945	4,209	2,461
Letters of credit	6,379	6,379	1,726	1,024
Bills of exchange	-	-	8	8
Shares purchase commitments	-	-	9,877	9,877

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-
Prepayments	term liabilities
Long-term investments	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 price 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, Futures, Interest rate Swaps. 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 counter parties at the reporting date.

24. RELATED PARTY TRANSACTIONS

Related parties are defined as shareholders with more than 10% of the Bank's share capital, members of the council, 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 the following loans granted to the related parties:

	Amount LTL'000
Loans	
Equity investee	5,448
Management, board and council members	757
Department directors	115
Total	**6,320**

As of 31 December 1999 the Bank had a receivable from it's equity investee in the amount of 11,337 LTL'000.

As of 31 December 1999 the Bank's management, board and council members' deposits comprised 52 LTL'000.

During the year ended 31 December 1999 the Bank earned 9,869 LTL'000 commission on investment activities from it's equity investee.

In the opinion of management, all 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.

25. FOREIGN EXCHANGE EXPOSURE

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

	Exchange Rate	Assets LTL '000	Liabilities LTL '000	Off blance-sheet instruments LTL '000	exposure LTL '000	Regulatory Capital
USD	4.0000	100,821	120,972	(16,254)	(3,896)	(8.63)
RUR	0.1452	2,236	2,810	-	(574)	(1.27)
DKK	2.7546	527	108	-	419	0.93
GBP	0.1452	516	183	-	333	0.74
EUR	0.2573	27,543	21,367	6,039	137	0.30
Other	various	438	302	-	136	0.57
Total		**132,081**	**145,742**	**(10,251)**	**|5,495|**	**|12.44|**

The 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's aggregate open position was 10.04% and single currency open position was 7.04%.

26. CAPITAL ADEQUACY AND REGULATORY MATTERS

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 22.10%.

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 22.1%; Total Capital to Risk Weighted Assets 19.4%. 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%.

27. LIQUIDITY RISK AND INTEREST RATE RISK

The table below provides an analysis of assets and liabilities into relevant maturity rankings 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 such liabilities are grouped in "within 1 year" category. The remaining period to maturity of assets and liabilities at of 31 December 1999 is as follows:

	Within 1 year	1-5 years	Greater than 5 years	Total
	LTL'000	LTL'000	LTL'000	LTL'000
Assets				
Cash	10,015	-	-	10,015
Due from Bank of Lithuania	6,179	-	9,751	15,930
Due from other banks	33,347	-	-	33,347
Loans and advances to customers, net	67,513	19,445	4,536	91,494
Investments	14,901	-	-	14,901
Other assets, net	14,545	667	37,735	52,947
Fixed assets, net	-	-	32,945	32,945
Total assets	**146,500**	**20,112**	**84,967**	**251,579**
Liabilities and shareholders' investment				
Due to Bank of Lithuania	2,013	3,108	-	5,121
Due to other banks	5,795	5,134	-	10,929
Current and term deposit accounts	142,494	35,627	-	178,121
Subordinated loans			12,000	12,000
Other liabilities	4,000	-		4,000
Shareholders' investment	-		41,408	41,408
Total liabilities and shareholders' investment	**154,302**	**43,869**	**53,408**	**251,579**
Off-balance sheet liabilities	14,678	1,346	-	16,024
Total liabilities, shareholders' investment and off-balance sheet liabilities	**168,980**	**45,215**	**53,408**	**267,603**
Liquidity risk and interest rate risk	**(22,480)**	**(25,103)**	**31,559**	**(16,024)**

The Bank of Lithuania requires banks to maintain a liquidity ratio not less than 30.00% based on specific liquidity calculations. As of 31 December 1999, the Bank's actual ratio was 40.36%.

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 rankings.

28. PARENT COMPANY INFORMATION

Parent balance sheets as of 31 December are as follows:

	1999 LTL'000	1998 LTL'000
ASSETS		
Cash	10,014	10,382
Due from Bank of Lithuania	15,930	12,923
Due from other banks, net	33,347	25,087
Loans and advances to customers, net	96,891	76,589
Investments	15,923	11,863
Other assets, net	46,024	47,682
Fixed assets, net	32,827	22,238
Total assets	**250,956**	**206,764**
LIABILITIES		
Due to Bank of Lithuania	5,121	5,965
Due to other banks	10,977	4,490
Subordinated loans	12,000	-
Current and term deposit accounts	178,121	154,227
Other liabilities	3,329	4,785
Total liabilities	**209,548**	**169,467**
SHAREHOLDERS' INVESTMENT		
Share capital	60,000	60,000
Accumulated deficit	(18,592)	(22,703)
Total shareholders' investment	**41,408**	**37,297**
Total liabilities and shareholders' investment	**250,956**	**206,764**

Parent statements of profit (loss) for the years ended 31 December are as follows:

	1999 LTL'000	1998 LTL'000
Interest income	12,934	13,592
Interest expense	(9,523)	(8,979)
NET INTEREST INCOME	**3,411**	**4,613**
Fees and commission income, net	15,731	4,909
Foreign exchange profit, net	3,756	4,600
Income (loss) from investment activities, net	175	(214)
Income on operations with other financial instruments	1,165	-
Other operating income	5,155	2,904
Reversal of provisions for losses	(1,652)	6,174
Salaries and related social expenses	(10,385)	(9,986)
Depreciation expense	(1,752)	(1,945)
Other administrative expenses	(10,071)	(5,596)
GROSS INCOME	**5,533**	**5,459**
NET INCOME	**5,533**	**5,459**
Basic Earnings Per Share (in LTL)	**1.15**	**1.09**
Diluted Earnings Per Share (in LTL)	1.13	-