

THE ANNUAL FINANCIAL STATEMENTS OF THE BANK OF LITHUANIA

2009

Contents

Independent Auditor's Report to the Seimas of the Republic of Lithuania /	3
Balance Sheet of the Bank of Lithuania /	4
Profit and Loss Account of the Bank of Lithuania /	5
Explanatory Notes to the Annual Financial Statements of the Bank of Lithuania /	6
Functions of the Bank of Lithuania /	6
Basis for Preparation and Presentation of the Annual Financial Statements /	6
Accounting Policy /	7
Financial Risk and Its Management /	11
Notes /	12

INDEPENDENT AUDITOR'S REPORT TO THE SEIMAS OF THE REPUBLIC OF LITHUANIA

We have audited the accompanying 2009 financial statements of the Bank of Lithuania (hereinafter the Bank), which comprise the balance sheet as at 31 December 2009, the profit and loss account for the year then ended and notes (comprising a summary of significant accounting policies and other explanatory notes).

Management's Responsibility

The Bank's management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles adopted by the Bank of Lithuania. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

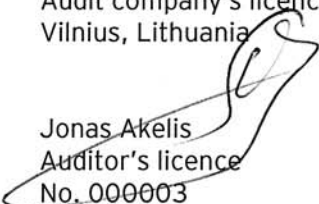
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank of Lithuania as of 31 December 2009, and its financial performance for the year then ended in accordance with the accounting principles adopted by the Bank of Lithuania.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335
Vilnius, Lithuania



Jonas Akelis
Auditor's licence
No. 000003
President

The audit was completed on 31 March 2010.

BALANCE SHEET OF THE BANK OF LITHUANIA

LTL million

	Notes	31 December 2009	31 December 2008
ASSETS			
1. Gold	1	496.51	395.73
2. Claims on foreign institutions denominated in foreign currency		15,332.37	15,204.11
2.1. Receivables from the International Monetary Fund	2	518.41	0.41
2.2. Deposits, securities and other investments denominated in foreign currency	3	14,813.96	15,203.70
3. Other assets		383.66	388.36
3.1. Tangible and intangible fixed assets	4	150.79	152.86
3.2. Investments into equity instruments	5	21.07	20.96
3.3. Off-balance sheet instruments revaluation differences	6	(3.50)	(6.27)
3.4. Accruals and deferred expenses	7	191.87	196.76
3.5. Sundry	8	23.43	24.05
Total		16,212.54	15,988.20
LIABILITIES			
4. Banknotes and coins in circulation	9	7,932.19	9,629.47
5. Liabilities to domestic credit institutions related to monetary policy operations denominated in litas	10	2,520.36	3,084.58
6. Liabilities to other domestic institutions denominated in litas	11	64.59	179.93
7. Liabilities to foreign institutions denominated in litas	12	137.69	56.02
8. Liabilities to domestic institutions denominated in foreign currency	13	2,639.92	1,123.48
9. Liabilities to foreign institutions denominated in foreign currency	13	275.86	75.60
10. Counterpart of special drawing rights allocated by the International Monetary Fund	2	518.01	–
11. Items in the course of settlement		22.59	5.70
12. Other liabilities	6, 14	2.00	81.33
12.1. Off-balance-sheet instruments revaluation differences		(5.57)	67.83
12.2. Accruals and deferred income		3.41	4.43
12.3. Sundry		4.17	9.08
13. Revaluation accounts	15	403.73	393.88
14. Capital	16	1,176.17	994.13
14.1. Authorised capital		200.00	200.00
14.2. Reserve capital		976.17	794.13
15. Profit for the year	26	519.44	364.08
Total		16,212.54	15,988.20

PROFIT AND LOSS ACCOUNT OF THE BANK OF LITHUANIA

LTL million

	Notes	2009	2008
Interest income	18	307.40	636.33
Interest expense	19	(22.72)	(128.27)
1. Net interest income		284.68	508.07
Realised gains (losses) arising from financial operations	20	345.95	(26.13)
Unrealised losses from revaluation	21	(16.47)	(4.51)
2. Net result of financial operations and revaluation losses		329.49	(30.64)
Fees and commissions income		10.83	15.05
Fees and commissions expense		(2.67)	(3.13)
3. Net income from fees and commissions	22	8.17	11.92
4. Dividend income	5	2.35	2.26
5. Other income		1.87	2.18
TOTAL NET INCOME		626.56	493.78
6. Staff costs	23	(53.69)	(53.45)
7. Administrative expenses	24	(16.19)	(18.93)
8. Depreciation and amortisation of tangible and intangible fixed assets	4	(11.49)	(11.14)
9. Banknote and coin production services and circulation expenses	25	(25.75)	(46.18)
PROFIT FOR THE YEAR	26	519.44	364.08

The accompanying explanatory notes are an integral part of these Financial Statements.

The Annual Financial Statements 2009 of the Bank of Lithuania were approved on 25 March 2010 by Resolution No. 03-25 of the Board of the Bank of Lithuania.

Chairman of the Board



Reinoldijus Šarkinas

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF THE BANK OF LITHUANIA

FUNCTIONS OF THE BANK OF LITHUANIA

The Bank of Lithuania shall perform the following functions:

- issue the currency of the Republic of Lithuania;
- formulate and implement monetary policy;
- determine the litas exchange rate regulation system and announce the official exchange rate of the litas;
- manage, use and dispose of the foreign reserves of the Bank of Lithuania;
- act as a State Treasury agent;
- in the manner and cases established by laws and other legal acts, issue and revoke licenses of credit institutions and payment institutions of the Republic of Lithuania as well as branches of credit institutions of foreign states, and supervise the activities thereof; it shall also perform other functions related to the activities of credit institutions and payment institutions established by laws;
- establish principles and procedures for financial accounting and reporting of credit institutions and payment institutions of the Republic of Lithuania and branches of credit institutions of foreign states operating in the Republic of Lithuania;
- encourage sound and efficient operation of payment and securities settlement systems;
- collect monetary, banking and balance of payments statistics, as well as the data of financial and related statistics of the Republic of Lithuania, implement standards on the collection, reporting and dissemination of the said statistics and compile the Balance of Payments of the Republic of Lithuania.

After Lithuania's accession to the European Union (EU) on 1 May 2004, the Bank of Lithuania became a part of the European System of Central Banks (ESCB). Lithuania has been participating in the Exchange Rate Mechanism II from 28 June 2004.

BASIS FOR PREPARATION AND PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

The financial accounting of the Bank of Lithuania is managed and the Annual Financial Statements are prepared in accordance with the Law on the Bank of Lithuania, other legislation of the Republic of Lithuania applicable to the Bank of Lithuania and the Accounting Policy approved by the Board of the Bank of Lithuania, which is in line with the accounting and financial reporting guidelines established by the European Central Bank (ECB) to the extent that such requirements are applicable to a national central bank of the Member State which has not yet adopted the euro. If a specific accounting treatment is not laid down in the Accounting Policy of the Bank of Lithuania and in the absence of the decisions and instructions to the contrary by the ECB, the Bank of Lithuania shall follow the principles of the international accounting and financial reporting standards as adopted by the European Union relevant to the activities and accounts of the Bank of Lithuania.

Following the principles of consistency and comparability, the respective comparable financial data for 2008 have been presented.

Due to rounding, the totals included in the Balance Sheet, Profit and Loss Account and Notes of the Bank of Lithuania may not equal the sum of the individual figures.

ACCOUNTING POLICY

GENERAL PRINCIPLES

In managing financial accounting and drawing up the financial statements, the Bank of Lithuania follows the following general accounting principles: economic reality and transparency, prudence, materiality, going concern, accrual, consistency and comparability.

Gold, debt securities and other on-balance-sheet and off-balance-sheet foreign reserves assets and liabilities (hereinafter – financial items) denominated in foreign currency are recorded in financial accounting at acquisition cost (transaction) price, and in the Annual Financial Statements are presented at market price and official exchange rate¹ of the balance sheet date.

Results arising from revaluation of financial items – gold holding, foreign currency (on a currency-by-currency basis), securities (on a code-by-code basis, i.e. same ISIN number) and interest rate futures and forward transactions in securities (on an item-by-item basis) – are accounted for separately.

Unrealised revaluation loss arising at the end of the financial year from revaluation of a separate financial item at market price and official exchange rate and exceeding previous unrealised revaluation gain registered in corresponding revaluation account, is recognised as expense of the current financial year. Unrealised loss taken to Profit and Loss Account cannot be reversed in subsequent years against new revaluation gain of the same financial item resulting from changes in market price and official exchange rate or offset by the revaluation gain of another type of the financial item.

Unrealised revaluation gain arising at the end of the financial year from the revaluation of a separate financial item at market price and official exchange rate is presented at revaluation accounts.

The average rate and (or) average price method is used in order to compute the acquisition costs for gold, securities and foreign currency. Such acquisition costs are used for the purpose of calculating the realised and unrealised results.

Income and expense are recognised in the accounting period in which they are earned or incurred and not in the period in which they are received or paid.

GOLD

Gold holdings are revalued on the last business day of each month on the basis of the gold market price in US dollars per one Troy ounce. This price is converted into litas at the official exchange rate of the litas against the US dollar on the revaluation day.

No distinction is made between the gold market price and US dollar revaluation differences for gold, but a single gold revaluation gain or loss is recorded in the gold revaluation account.

In the event of recognition of unrealised revaluation loss on gold at year-end, the average cost of gold is correspondingly adjusted to the gold market price and US dollar exchange rate prevailing on the last business day of the financial year.

Transactions related to gold swaps are accounted for in the same way as repurchase agreements.

¹ Official exchange rate is the official exchange rate of the litas against the euro or exchange rate of the litas against foreign currency determined by the Bank of Lithuania.

FOREIGN CURRENCY

Financial items denominated in foreign currency are revalued on each business day at the official exchange rate prevailing on that day.

Official exchange rates of the litas against major foreign currencies determined by the Bank of Lithuania

Litas (LTL) per unit

Currency	Code	31 December 2009	31 December 2008
Euro	EUR	3.4528	3.4528
US dollar	USD	2.4052	2.4507
100 Japanese yen	JPY	2.6108	2.7144
Special Drawing Rights	XDR	3.7745	3.8148

The average rate of foreign currency is recalculated on a daily basis in case of an increase of a respective foreign currency position (if the position is long – in case of the net inflows of the day, if the position is short – in case of net outflows of the day).

In the event of recognition of unrealised revaluation loss on a separate foreign currency at year-end, the average rate of that currency is correspondingly adjusted to the official exchange rate on the last business day of the financial year.

FOREIGN EXCHANGE TRANSACTIONS

Foreign currency to be received or paid according to foreign exchange spot, forward and swap transactions influences a respective foreign currency position on a trade date and is recorded in off-balance-sheet accounts from the trade date to the settlement date.

The difference in the value at the spot and forward rates of the transaction is recognised as interest income or expense and is accrued on a daily basis over the remaining duration of the transaction.

SECURITIES

Securities are recorded in the on-balance-sheet accounts at cost on the transaction settlement date. Coupon purchased together with security is presented in a separate balance sheet item as other assets and is not included in the acquisition cost of the security.

The revaluation of securities recorded in the on-balance-sheet accounts is performed on the last business day of each month at market price prevailing at the revaluation date. Revaluation results of securities related with changes of the market price of securities and the official exchange rate of the foreign currency are accounted for in separate revaluation accounts.

The average price of each type of securities is recalculated at the end of the business day in consideration of all purchases of the same type of securities made during the day and their average acquisition costs. Realised gain (loss) for the same day sales of these securities is calculated according to this new average cost.

The difference between the security acquisition cost and its nominal value – discount or premium – is recognised as income or expense according to the straight-line method on a daily basis from the settlement date of purchase transaction to the maturity date or settlement date of sale transaction.

Discount on non-coupon bearing securities is amortized according to the Internal Rate of Return (IRR) method and discount or premium on coupon bearing securities – according to the straight-line method.

If at the end of the financial year unrealised revaluation loss on valuation of a separate type of securities is recognised as expense, the average cost of such type of securities is adjusted according to its market price prevailing on the last business day of the financial year.

FORWARD TRANSACTIONS IN SECURITIES

Forward purchases or sales of securities are recognised in off-balance-sheet accounts from the trade date to the settlement date at the forward price of the transaction. Securities to be purchased or sold under these transactions are revalued on the last business day of each month at forward market price. The revaluation result on these securities is recorded for separately on item-by-item basis in on-balance-sheet assets or liabilities accounts.

On the settlement date of forward transactions in securities, purchases or sales of the securities are recorded on the on-balance-sheet accounts at the actual market price, and the difference between this price and the forward price of the transaction is recognised as realised income or expense.

EQUITY INSTRUMENTS

Long-term investments into equity instruments held for the Bank's specific purposes are investments into equities in order to participate in the activities of a specific enterprise whose equity instruments are non-marketable and their price is not quoted in the market. They are recorded at cost.

REVERSE TRANSACTIONS

A repurchase agreement is recorded as collateralised inward deposit: the commitment to repay funds is recorded on the liabilities side of the balance sheet, while the financial asset that has been given as collateral (sold and repurchased under this agreement) remains on the asset side of the balance sheet for the period of the transaction.

A reverse repurchase agreement is recorded as a collateralised outward loan on the asset side of the balance sheet. The collateral acquired during the transaction period is not reported in the balance sheet and is not revalued.

The difference between the purchase and repurchase price of the collateral acquired under repurchase and reverse repurchase agreements is recognised on a daily basis as interest income or expense over remaining duration of the transaction.

INTEREST RATE FUTURES

Interest rate futures are recorded in off-balance-sheet accounts at nominal value of contracts from the trade date to the closing or maturity date. Daily changes in the variation margins of interest rate futures are recognised as realised income or expense.

TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets include such assets whose acquisition cost (including VAT) is not less than LTL 500 and whose useful life is longer than one year. The Museum stocks, pieces of art and tangible assets included into the list of cultural valuables are also treated as tangible assets with no regard to their acquisition cost. Tangible and intangible fixed assets are recorded in the balance sheet at cost less accumulated depreciation (amortisation). Depreciation (amortisation) is calculated on a straight-line basis over the expected useful life of assets.

Depreciation (amortisation) rates of tangible and intangible fixed assets

Assets	Annual rate, %
Buildings and structures	2.5–10
Cash calculation and computer equipment	10–50
Vehicles	20
Furniture, office equipment and other inventory	5–50
Intangible assets	25–100

If there are signs of significant decline in the market value of real estate, then at the end of the financial year the acquisition cost of such assets is reduced by the amount of impairment loss.

BANKNOTES AND COINS IN CIRCULATION

Banknotes and coins in circulation are presented at nominal value as liabilities in the balance sheet. The cost of printing of banknotes and minting coins, as well as other expenses associated with the issue of the national currency into circulation, are recorded as expenses when incurred, irrespective of when the coins and banknotes were put into circulation.

RECOGNITION OF INCOME AND EXPENSES

Interest income and expense related to financial items denominated in foreign currency (including premiums and discounts of securities) are calculated and booked daily.

Realised gain and loss arising from financial items denominated in foreign currency are taken to the Profit and Loss Account on the trade date, except for the realised gain and loss on securities which are recognised on the settlement date.

Unrealised revaluation gain is not recognised as income and is presented in revaluation accounts. Unrealised revaluation loss is taken to the Profit and Loss Account at year-end, if it exceeds previous revaluation gain related to the corresponding financial item.

Interest income and expense related to financial items denominated in litas are booked monthly, other income and expenses of the year – till year-end.

POST-BALANCE SHEET EVENTS

Annual Financial Statements are adjusted for post-balance sheet events that occur between the balance sheet date and the date on which the Annual Financial Statements are approved by the Board of the Bank of Lithuania, if those events provide evidence of conditions that existed on balance sheet date and therefore that amounts reported in the Annual Financial Statements have to be adjusted.

No adjustment is made for the data of the Annual Financial Statements of post-balance sheet events that are indicative of conditions that arose after the balance sheet date. Events which are of such importance that their non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements are disclosed in Explanatory Notes to the Annual Financial Statements.

FINANCIAL RISK AND ITS MANAGEMENT

The main object of the financial risk of the Bank of Lithuania is foreign reserves that as at 31 December 2009 accounted for about 98 per cent of the total assets of the Bank of Lithuania.

In managing foreign reserves the Bank of Lithuania is exposed to different types of financial risk such as market, credit, liquidity and settlement risk. These risks are managed by an established system of limits for risk exposures and other means aimed at reducing risks.

The main risk faced by the Bank of Lithuania in foreign reserve management that has the strongest influence on financial results is market risk. Market risk comprises exchange rate, gold price and interest rate risk.

Exchange rate risk has been eliminated – practically all foreign reserves not related to liabilities in foreign currencies are invested in the anchor currency – the euro. The part of foreign reserves corresponding to liabilities is invested in the currency of the liabilities (see Note 27).

The Bank of Lithuania uses the indicator of the modified duration (MD)² as the main tool for managing interest rate risk. Interest rate risk is managed by setting benchmarks to each portfolio of foreign reserves, its MD and largest allowed deviations of portfolio real investment MD from the MD of the benchmarks. The average MD of foreign reserves was 1.33 in 2009 (1.18 in 2008).

Market risk is valued applying “value-at-risk” (VaR) indicator. At the end of 2009 VaR indicator for market risk was EUR 3.9 million³ (EUR 5.5 million in 2008), for gold price and exchange rate risk – EUR 2.5 million (EUR 3.8 million in 2008), for interest rate risk – also EUR 2.5 million (EUR 4.5 million in 2008).

For the purpose of managing exchange rate risk and interest rate risk, the Bank of Lithuania also uses financial derivatives (see Note 17). All financial derivatives are included in the measurement of the investment market and credit risk.

Credit risk is managed by establishing strict financial reliability requirements to issuers and counterparties. In order to reduce credit risk, limits of the liabilities to the Bank of Lithuania are established for issuers, counterparties and their groups.

Liquidity risk is managed by setting liquidity ratios and a minimum amount of highly liquid financial instruments in foreign reserves.

Various correspondent account management instruments are applied for managing settlement risks: delivery-versus-payment principle, matching of debt and credit turnovers. These measures facilitate reduction of the risk of loss due to settlement defaults by counterparties.

² MD shows approximately how much will the percentage value of an investment change, if the profitability rates increase by 100 basis points.

³ The indicator is calculated using parametric approach based on RiskMetrics methodology. It shows a probability of 95% that adverse developments of gold price, exchange rates or interest rate will not reduce the investment value during the next business day by the amount exceeding the value of the indicator. Data and estimates used by the Market Operations Department of the Bank of Lithuania and those of RiskMetrics are given in the section “Financial Risk and Its Management”.

NOTES

Note 1. Gold

	31 December 2009	31 December 2008
Gold holdings in:		
Troy ounces	186,984.41	186,675.87
Kilograms	5,815.87	5,806.27
Price of one Troy ounce, USD	1,104.00	865.00
Value of gold, LTL million	496.51	395.73

Gold holdings in 2009, compared to 2008, increased due to differences in the weight of gold bars arising on settlements of gold investment transactions.

Gold Investment

Troy ounces

	31 December 2009	31 December 2008
Non-invested reserves	179,277.89	74,737.56
Swaps	7,706.52	–
Fixed-term deposits	–	111,938.31
Total	186,984.41	186,675.87

Note 2. Receivables from the International Monetary Fund

LTL million

	31 December 2009	31 December 2008
Net reserve position in the International Monetary Fund	0.13	0.13
Balance in Special Drawing Rights account with the International Monetary Fund	518.28	0.27
Total	518.41	0.41

The net reserve position in the International Monetary Fund (IMF) holdings belongs to the Republic of Lithuania, which is a member of the IMF since 1992. The Bank of Lithuania performs the function of depository of the IMF funds.

Quota of the Republic of Lithuania in IMF totals SDR 144.20 million. Part of this Quota (25%) was paid in SDRs and the other part was paid in non-marketable and non-interest bearing Republic of Lithuania Government Promissory Notes denominated in national currency. The value of these Government securities issued for the benefit of the IMF as at 31 December 2009 amounted to SDR 143.65 million.

Net Reserve Position in the IMF

SDR million

	31 December 2009	31 December 2008
Quota of the Republic of Lithuania in the International Monetary Fund (total value)	144.20	144.20
Claims of the International Monetary Fund corresponding to Government promissory notes in litas	(143.65)	(143.61)
Funds of the International Monetary Fund in accounts with the Bank of Lithuania in litas	(0.51)	(0.56)
Net reserve position in the International Monetary Fund	0.03	0.03

In order to provide liquidity to the global economic system by supplementing the foreign exchange reserves of the IMF member countries, in 2009 IMF allocated SDR 182.64 billion to the IMF member countries in proportion to their quotas:

1. by the decision of IMF Board of Governors the general allocation of SDR 161.18 billion was distributed on 28 August 2009,
2. after the enforcement of the Fourth Amendment of the IMF Articles of Agreement the special one-time allocation of SDR 21.45 billion was distributed on 9 September 2009.

As a result of these SDR allocations the amount of SDR 137.24 million was transferred to the account of the Bank of Lithuania held with IMF (SDR 106.9 million on 28 August 2009, SDR 30.34 million on 9 September 2009).

SDR 137.24 million (LTL 518.01 million) provided by IMF are disclosed under balance sheet of the Bank of Lithuania assets item "Receivables from the International Monetary Fund" and under liability item "Counterpart of special drawing rights allocated by the International Monetary Fund". Whereas the amounts of interest payable and receivable on SDR funds recorded under the abovementioned items were equal, therefore SDR allocations distributed by the IMF did not influence the financial result of the Bank of Lithuania in 2009.

During the first half of 2011 the IMF envisages revising the expedience of withdrawing a part of SDR allocations to IMF member countries in view of the situation in the global economy and overall liquidity condition.

Note 3. Deposits, Securities and Other Investments Denominated in Foreign Currency

LTL million

	31 December 2009	31 December 2008
Debt securities	14,396.08	13,465.50
Accounts with foreign banks	247.34	764.88
Reverse repurchase agreements	90.20	–
Claims on the ECB (TARGET2 ⁴ account)	80.34	23.80
Fixed-term deposits with foreign banks	–	949.52
Total	14,813.96	15,203.70

Balances of accounts of the Bank of Lithuania held with central banks of other states comprise LTL 201.71 million (LTL 574.99 million on 31 December 2008).

Liabilities of the Bank of Lithuania to participants of TARGET2 – domestic commercial banks – related to the claims of the Bank of Lithuania on the ECB arising due to operations performed via TARGET2 are presented in Note 13.

The breakdown of deposits, securities and other investments by currency is presented in Note 27.

⁴ TARGET2 is a Trans-European Automated Real-time Gross settlement Express Transfer system operating on the basis of a single shared platform and providing harmonised services according to a unified price system.

Breakdown of Deposits, Securities and Other Investments Denominated in Foreign Currency by Country of Residence of Issuer and Counterparty

LTL million

	31 December 2009	31 December 2008
EU Member States	14,072.24	14,395.34
Japan	365.60	407.05
USA	105.35	104.45
Australia	17.88	17.19
International financial institutions	252.90	279.68
Total	14,813.96	15,203.70

Breakdown of Deposits, Securities and Other Investments Denominated in Foreign Currency by Maturity

LTL million

	31 December 2009	31 December 2008
Demand	327.69	788.68
Up to 1 year	5,559.30	6,940.21
1–5 years	8,788.30	7,267.82
Over 5 years	138.67	206.99
Total	14,813.96	15,203.70

Note 4. Tangible and Intangible Fixed Assets

LTL million

	Intangible assets	Tangible assets				Total
		Buildings and construction in progress	Cash calculation and computer equipment (including non-assembled items)	Vehicles	Other property, plant and equipment (including non-assembled items)	
Acquisition cost as at 31 December 2008	14.71	161.76	64.95	7.78	33.83	283.03
Additions in 2009	0.45	0.89	4.83	0.02	3.25	9.45
Disposals in 2009	–	–	(2.25)	(0.87)	(0.21)	(3.33)
Redistribution in 2009	0.16	(1.34)	0.77	–	0.41	0.00
Acquisition cost as at 31 December 2009	15.32	161.30	68.30	6.92	37.29	289.15
Accrued depreciation as at 31 December 2008	(13.69)	(31.55)	(52.45)	(4.79)	(27.68)	(130.17)
Depreciation in 2009	(1.13)	(3.71)	(4.82)	(0.77)	(1.06)	(11.49)
Written-off depreciation in 2009	–	–	2.22	0.87	0.21	3.29
Accrued depreciation as at 31 December 2009	(14.82)	(35.26)	(55.05)	(4.69)	(28.54)	(138.36)
Net book value as at 31 December 2009	0.50	126.04	13.26	2.24	8.75	150.79
Net book value as at 31 December 2008	1.02	130.20	12.50	2.99	6.15	152.86

The Bank of Lithuania has not concluded any transactions with the mortgage of tangible assets of the Bank of Lithuania.

Note 5. Investments into Equity Instruments

Since 1 May 2004 the Bank of Lithuania is a member of the ESCB. In accordance with Article 28 of the Statute of the ESCB and the ECB, the Bank of Lithuania is the subscriber of the capital of the ECB. Shares of the national central banks in the subscribed capital of the ECB depend on the established key for the ECB capital subscription, which is adjusted every five years in accordance with Article 29.3 of the Statute of the ESCB and the ECB or adjusted in the case of a change in the number of the European Union Members States in accordance with Article 49.3 of the Statute of the ESCB and the ECB. The shares of the NCBs in the ECB's capital key are weighted according to the shares of the respective Member States in the EU's total population and GDP in equal measure, as notified to the ECB by the European Commission.

In implementing the requirements of Article 29.3 of the ESCB and ECB Statute, shares of national central banks in the key for the ECB capital subscription were adjusted with effect from 1 January 2009. After the increase of the share of the Bank of Lithuania in the subscribed capital of the ECB to 0.4256 per cent from 1 January 2009 (0,4178 per cent on 31 December 2008), the Bank of Lithuania additionally paid EUR 31,45 thousand to the capital of the ECB.

Distribution of the Subscribed Capital of the European Central Bank as at 31 December 2009

Central bank	Percentages
Nationale Bank van België / Banque Nationale de Belgique	2.4256
Deutsche Bundesbank	18.9373
Central Bank and Financial Services Authority of Ireland	1.1107
Bank of Greece	1.9649
Banco de España	8.3040
Banque de France	14.2212
Banca d'Italia	12.4966
Central Bank of Cyprus	0.1369
Banque centrale du Luxembourg	0.1747
Bank Centrali ta' Malta / Central Bank of Malta	0.0632
De Nederlandsche Bank	3.9882
Oesterreichische Nationalbank	1.9417
Banco de Portugal	1.7504
Banka Slovenije	0.3288
Národná banka Slovenska	0.6934
Suomen Pankki - Finlands Bank	1.2539
Total (euro area central banks)	69.7915
Българска народна банка (Bulgarian National Bank)	0.8686
Česká národní banka	1.4472
Danmarks Nationalbank	1.4835
Eesti Pank	0.1790
Latvijas Banka	0.2837
Lietuvos bankas	0.4256
Magyar Nemzeti Bank	1.3856
Narodowy Bank Polski	4.8954
Banca Națională a României	2.4645
Sveriges Riksbank	2.2582
Bank of England	14.5172
Total (non-euro area central banks)	30.2085

As Lithuania does not participate in the euro area, the transitional provisions of Article 48 of the Statute of the ESCB apply. According to these provisions, up to 31 December 2009 the Bank of Lithuania has paid the minimum contribution of 7 per cent of the ECB capital subscribed by the Bank of Lithuania, i.e. EUR 1.72 million (LTL 5.93 million).

The Bank of Lithuania is a member of the Bank for International Settlements (BIS) with representation and voting rights equal to 1,070 shares with the acquisition cost of LTL 11.51 million and the nominal value of SDR 5,000 per share. The Bank of Lithuania has paid up 25 per cent of the value of these shares. In 2009 the Bank of Lithuania received dividends of LTL 1.08 million for these BIS shares (LTL 1.01 million in 2008).

The Bank of Lithuania owns 60 per cent of the shares of the Central Securities Depository of Lithuania the acquisition cost of which is LTL 3.63 million. In 2009 the Bank of Lithuania received dividends of LTL 1.28 million for them (LTL 1.24 million in 2008).

The Bank of Lithuania holds one SWIFT share with the acquisition cost of LTL 3,249. Dividends are not paid for this share.

Note 6. Off-Balance-Sheet Instruments Revaluation Differences

Off-balance-sheet instruments revaluation differences represent the results of revaluation due to the changes of the official exchange rate of foreign exchange transactions which are recorded in off-balance-sheet accounts (see Note 17). The revaluation difference related to foreign currency receivables is reported under the asset item of the balance sheet, while revaluation difference related to foreign currency payable is reported under the balance sheet liabilities item (see Note 14).

Note 7. Accruals and Deferred Expenses

LTL million

	31 December 2009	31 December 2008
Accrued interest income	115.98	111.99
Accrued coupon on securities	115.65	107.56
Interest on financial derivatives	0.31	4.04
Interest on fixed-term gold deposits	–	0.30
Other accrued interest	0.02	0.09
Coupon purchased with a security	73.81	82.33
Other accrued income	0.11	0.86
Deferred expenses	1.97	1.58
Total	191.87	196.76

Note 8. Sundry

LTL million

	31 December 2009	31 December 2008
Loans to the staff of the Bank of Lithuania	19.86	16.63
Loans for house purchase or repairs	19.48	16.15
Consumer loans	0.38	0.48
Other receivables	1.51	5.32
Current tangible assets	2.06	2.09
Total	23.43	24.05

Note 9. Banknotes and Coins in Circulation

This balance sheet item presents the nominal value of litas banknotes and coins in circulation. In 2009, the value of banknotes and coins put into circulation by the Bank of Lithuania was LTL 1,145.60 million (LTL 2,085.31 million in 2008) and the value of those withdrawn from circulation was LTL 2,842.89 million (LTL 1,624.18 million in 2008).

Banknotes and Coins in Circulation

LTL million

	31 December 2009	31 December 2008
Banknotes	7,735.26	9,433.12
Coins (including collector (commemorative) coins and numismatic sets of coins)	196.93	196.35
Total	7,932.19	9,629.47

Note 10. Liabilities to Domestic Credit Institutions Related to Monetary Policy Operations Denominated in Lit

This item consists of the holdings of required minimum reserves held by commercial banks in their current accounts with the Bank of Lithuania. From November 2008 credit institutions are subject to 4 per cent reserve requirement.

The Bank of Lithuania pays interest for the part of commercial bank required reserves that does not exceed the required reserve ratio used by the ECB for that period by applying marginal interest rates of the main refinancing operations of the Eurosystem set by the ECB (see Note 19). In 2009, the interest rate used for calculations of interest paid by the Bank of Lithuania for the part of required reserves of commercial banks decreased from 2.45 to 1 per cent (in 2008 fluctuated from 4.42 to 2.45 per cent).

Note 11. Liabilities to Other Domestic Institutions Denominated in Lit

LTL million

	31 December 2009	31 December 2008
Liabilities to Government institutions	52.95	164.76
Liabilities to other domestic institutions	11.65	15.16
Total	64.59	179.93

Note 12. Liabilities to Foreign Institutions Denominated in Lit

LTL million

	31 December 2009	31 December 2008
Balances in current accounts of international organisations	137.53	55.86
Balances in current accounts of foreign banks	0.15	0.16
Total	137.69	56.02

Note 13. Liabilities Denominated in Foreign Currency

Liabilities to Domestic Institutions Denominated in Foreign Currency

LTL million

	31 December 2009	31 December 2008
Fixed-term deposits of Government institutions	2,026.93	627.70
Balances in current accounts of Government institutions	532.65	493.24
Balances in current accounts of TARGET2 participants	80.34	2.53
Total	2,639.92	1,123.48

Liabilities to Foreign Institutions Denominated in Foreign Currency

LTL million

	31 December 2009	31 December 2008
Balances in current accounts	257.63	75.60
Gold swaps	18.23	–
Total	275.86	75.60

Breakdown of Liabilities to Foreign Institutions in Foreign Currency by Country of Residence of Counterparty

LTL million

	31 December 2009	31 December 2008
International organisations	257.63	75.60
EU Member States	18.23	–
Total	275.86	75.60

Breakdown of Liabilities Denominated in Foreign Currency by Maturity

LTL million

	31 December 2009	31 December 2008
Demand	870.49	571.25
Up to 1 year	2,045.16	627.70
Without term	0.13	0.13
Total	2,915.78	1,199.08

Note 14. Other Liabilities

LTL million

	31 December 2009	31 December 2008
Off-balance sheet instruments revaluation differences (see Note 17)	(5.57)	67.83
Accruals and deferred income	3.41	4.43
Accrued interest expenses	0.50	1.54
Other accruals	2.72	2.69
Deferred income	0.18	0.19
Sundry	4.17	9.08
Total	2.00	81.33

Note 15. Revaluation Accounts

LTL million

	31 December 2009	31 December 2008
Revaluation accounts		
Gold	305.92	205.83
Securities	97.78	188.04
Foreign currency	0.03	0.02
Total	403.73	393.88

Revaluation accounts represent revaluation balances arising from unrealised gains on gold, securities and foreign currency.

Unrealised revaluation loss of each type of securities and each foreign currency holding, when exceeding previous corresponding revaluation gains, were recognised as expenses at the end of 2009 (see Note 21).

Note 16. Capital

LTL million

	31 December 2008	Increase	31 December 2009
Capital			
Authorised capital	200.00	–	200.00
Reserve capital	794.13	182.04	976.17
Total	994.13	182.04	1,176.17

Note 17. Off-Balance-Sheet Instruments

Foreign Exchange Transactions

LTL million

		Value on a trade date	Value on 31 December 2009	Value adjustment differences
Swaps	Receivables	371.08	367.58	(3.50)
	Payables	371.08	365.51	(5.57)
Forward agreements	Receivables	0.12	0.12	–
	Payables	0.12	0.12	(0.00)
Spot transactions	Receivables	1,008.22	1,008.22	–
	Payables	1,008.22	1,008.22	–
Total by foreign exchange transactions	Receivables	1,379.43	1,375.93	(3.50)
	Payables	1,379.43	1,373.86	(5.57)

For the purposes of foreign reserve management, the Bank of Lithuania used interest rate futures and forward transactions in securities in 2009.

As at 31 December 2009, outstanding interest rate futures at their nominal value accounted for: LTL 1,428.08 million (LTL 724.40 million in 2008) of notional sales and LTL 69.06 million (LTL 234.79 million in 2008) of notional purchases.

As at 31 December 2009, the Bank of Lithuania did not have any outstanding forward transactions in securities.

The impact of interest rate futures and forward transactions in securities on the Bank of Lithuania financial results is disclosed in Note 20.

Note 18. Interest Income

LTL million

	2009	2008
Interest income on:		
Investments in securities	297.18	576.18
Financial derivatives	2.98	26.32
Balances of accounts	2.85	5.44
Reverse repurchase agreements	2.67	12.14
Fixed-term deposits	0.78	15.24
Other interest income	0.94	1.02
Total	307.40	636.33

Note 19. Interest Expense

LTL million

	2009	2008
Interest expense on:		
Fixed-term deposits of Government institutions	7.34	60.27
Balances in current accounts of Government institutions	2.48	12.50
Required minimum reserves of credit institutions	12.80	39.27
Liabilities related to repurchase agreements	0.07	14.43
Other interest expense	0.03	1.79
Total	22.72	128.27

Note 20. Realised Gains (Losses) Arising from Financial Operations

LTL million

	2009	2008
Realised gains (losses) arising from:		
Sale of securities	355.79	26.39
Sale of gold and foreign currency	(0.02)	(0.00)
Forward transactions in securities	(1.31)	4.00
Interest rate futures	(8.52)	(56.52)
Total	345.95	(26.13)

Note 21. Unrealised Losses from Revaluation

LTL million

	2009	2008
Unrealised revaluation losses on:		
Securities	16.45	4.40
Foreign currency	0.02	0.11
Total	16.47	4.51

Note 22. Net Income from Fees and Commissions

LTL million

	2009	2008
Income from:		
Settlement services	6.93	8.03
Sales of numismatic valuables	3.61	6.41
Usage of the Loan Risk Database	0.13	0.25
Auctions of securities	0.04	0.23
Other services	0.12	0.13
Total	10.83	15.05
Expenses relating to fees and commissions	(2.67)	(3.13)
Net income from fees and commissions	8.17	11.92

Note 23. Staff Costs

LTL million

	2009	2008
Expenses on wages and salaries	41.05	40.86
to the members of the Board	1.27	1.28
to the heads of structural divisions	2.19	2.30
to other staff of the Bank of Lithuania	37.59	37.28
Contributions to State Social Insurance Fund	12.64	12.59
Total	53.69	53.45

The Board of the Bank of Lithuania consists of the Chairman of the Board of the Bank of Lithuania, two Deputy Chairmen and two Board Members. At the end of 2009 the Bank of Lithuania had eleven departments, six independent divisions and two branches. The total number of employees was 832 (in 2008 – 843 employees) of which 6 were on fixed-term labour contract (in 2008 – 7 employees) and 24 were on parental leave or unpaid leave for short-term contracts with the ECB, IMF or central banks of other countries (in 2008 – 17 employees).

Note 24. Administrative Expenses

LTL million

	2009	2008
Expenses		
Maintenance expenses	7.39	8.52
Information subscription expenses	1.94	1.71
Mail and communication	1.67	1.64
Business trips	1.55	2.05
Training of the staff	0.90	1.49
Public relations	0.81	1.11
Library acquisitions and press subscriptions	0.17	0.18
Other	1.76	2.22
Total	16.19	18.93

Note 25. Banknote and Coin Production Services and Circulation Expenses

LTL million

	2009	2008
Banknote production expenses	–	16.08
Coin minting expenses	25.34	29.56
Cash circulation expenses	0.41	0.55
Total	25.75	46.18

Note 26. Distribution of the Profit of the Bank of Lithuania

By virtue of amendment to Article 23 of the Law on Amendment to the Law on the Bank of Lithuania (No. XI-510, 2 December 2009; *Valstybės žinios* (Official Gazette) No. 147-6553, 2009) enforced from 2 December 2009, the contribution amount of the profit of the Bank of Lithuania to the State budget was changed. Pursuant to the Law, when allocating the profit of the Bank of Lithuania from 2009 and thereafter the contribution to the State budget shall be 70 per cent (instead of former 50 per cent) of the amount of the profit of the Bank of Lithuania for the financial year or a part thereof remaining after the allocation of the profit to cover the uncovered loss incurred during the previous financial year. The part of the profit remaining after the allocation shall be transferred to the reserve capital, as authorised capital of the Bank of Lithuania has been completely formed.

LTL

	2009	2008	2007
Profit allocation			
Transfer to the state budget	363,606,065	182,041,717	161,914,094
Allocation to the reserve capital of the Bank of Lithuania	155,831,171	182,041,717	161,914,094
Total	519,437,236	364,083,435	323,828,188

Note 27. Assets and Liabilities of the Bank of Lithuania by Currency

LTL million

	LTL	EUR	USD	JPY	XDR	XAU	Other	Total
31 December 2009								
ASSETS								
Gold	–	–	–	–	–	496.51	–	496.51
Claims on foreign institutions denominated in foreign currency	–	14,355.08	92.80	365.65	518.41	–	0.43	15,332.37
Receivables from the IMF	–	–	–	–	518.41	–	–	518.41
Debt securities	–	14,030.58	–	365.49	–	–	–	14,396.08
Deposits and other investments	–	324.50	92.80	0.15	–	–	0.43	417.88
Other assets	190.61	192.48	0.25	0.00	–	–	0.32	383.66
Total on-balance-sheet assets	190.61	14,547.56	93.05	365.65	518.41	496.51	0.75	16,212.54
LIABILITIES								
Banknotes and coins in circulation	7,932.19	–	–	–	–	–	–	7,932.19
Liabilities to domestic credit institutions related to monetary policy operations denominated in litas	2,520.36	–	–	–	–	–	–	2,520.36
Liabilities to other domestic institutions denominated in litas	64.59	–	–	–	–	–	–	64.59
Liabilities to foreign institutions denominated in litas	137.69	–	–	–	–	–	–	137.69
Liabilities to domestic institutions denominated in foreign currency	–	2,547.12	92.66	–	0.13	–	0.00	2,639.92
Liabilities to foreign institutions denominated in foreign currency	–	275.86	–	–	–	–	–	275.86
Counterpart of special drawing rights allocated by IMF	–	–	–	–	518.01	–	–	518.01
Items in the course of settlement	22.59	–	–	–	–	–	–	22.59
Other liabilities	7.26	0.31	–	(5.57)	–	–	–	2.00
Revaluation accounts	305.95	97.77	–	0.01	–	–	–	403.73
Capital	1,176.17	–	–	–	–	–	–	1,176.17
Profit	519.44	–	–	–	–	–	–	519.44
Total on-balance-sheet liabilities	12,686.24	2,921.07	92.66	(5.56)	518.14	–	0.00	16,212.54
NET ON-BALANCE-SHEET ASSETS (LIABILITIES)	(12,495.63)	11,626.50	0.39	371.21	0.27	496.51	0.75	0.00
Off-balance-sheet assets included into currency position								
Receivables under foreign exchange transactions	131.21	1,248.22	–	–	–	–	–	1,379.43
Off-balance-sheet liabilities included into currency position								
Payables under foreign exchange transactions	877.01	131.21	–	371.21	–	–	–	1,379.43
Net off-balance-sheet assets (liabilities) included into currency position	(745.80)	1,117.01	–	(371.21)	–	–	–	0.00
NET ASSETS (LIABILITIES)	(13,241.43)	12,743.51	0.39	0.00	0.27	496.51	0.75	0.00
31 December 2008								
Total on-balance-sheet assets	194.17	14,983.43	6.45	407.70	0.41	395.73	0.31	15,988.20
Total on-balance-sheet liabilities	14,528.27	1,384.91	6.11	68.77	0.13	–	0.00	15,988.20
NET ON-BALANCE-SHEET ASSETS (LIABILITIES)	(14,334.10)	13,598.52	0.34	338.93	0.27	395.73	0.31	0.00
Off-balance-sheet assets included into currency position	460.95	446.60	5.66	–	–	–	–	913.22
Off-balance-sheet liabilities included into currency position	101.86	466.61	5.42	339.33	–	–	–	913.22
Net off-balance-sheet assets (liabilities) included into currency position	359.09	(20.01)	0.25	(339.33)	–	–	–	0.00
NET ASSETS (LIABILITIES)	(13,975.01)	13,578.51	0.59	(0.40)	0.27	395.73	0.31	0.00

The Bank of Lithuania
Gedimino pr. 6, LT-01103 Vilnius, Lithuania
Tel. +370 5 268 0029
Fax +370 5 262 8124
E-mail: info@lb.lt
<http://www.lb.lt>